Procedures for Lending Funds to Others

Approved by the Shareholders' Meeting and enacted on June 12, 2019

First: Subject

The Procedures are established for the Company to follow when lending funds to others.

Second: Content

Article 1 (Entities to which the company may loan funds)

The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

1. Companies having business relationship with the Company; or
2. Companies in need of funds for a short-term period with the Company.

The term "short-term" in the preceding paragraph means one year, or where a company's operating cycle exceeds one year, one operating cycle.

The term "financing amount" means the cumulative balance of the Company's short-term financing.

Article 2 (The reason and necessity of lending funds to others)

The Company engages in lending funds to other companies or firms due to business transaction, and shall comply with the provisions of Article 3, paragraph 2; for the short-term financing necessary to engage in lending funds, subject to the following circumstances:

1. A company has the necessary short-term financing for business needs, which the Company holds more than twenty percent (20%) of its shares.
2. A company or a firm has the need for short-term financing due to purchase or operational turnover needs
3. Others approved by the board of directors of the Company.

Article 3 (Total amount of lending funds and the lending limit for individual borrower)

1. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such total lending amount shall not exceed 40 percent of the Company's net worth.
2. The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties. The "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher.
3. A company or a firm has short-term financing necessary, the maximum amount permitted to a single borrower is as bellow:
   (1) The maximum amount for lending to a subsidiary which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares shall not exceed 10% of the Company’s net worth.

(2) The maximum amount for lending to a company which the Company holds more than 20% of the shares and does not have the shareholding ratio of the previous paragraph shall not exceed 5% of the Company’s net worth.
(3) The maximum amount for lending to other companies or firms shall not exceed 2% of the Company’s net worth.

4. When there is a lending for funding needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such lending shall not be subject to the limit of forty percent (40%) of the Company’s net worth, and its financing period does not apply for one year or one business cycle. However, the offshore subsidiaries shall need to stipulate the loan amount limits and term of loans in Article 9, subparagraph 3 and 4 of the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies".

Article 3-1 (The definition of subsidiary and net worth)

1. The subsidiaries and parent company referred to in the Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. "Net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 4 (The Procedures for lending funds)

1. Credit checking

   When the Company handles the lending fund matter, the borrower shall submit an application for the financing quota together with its company information and financial information.

   After accepting the application, the Company shall investigate and evaluate borrower’s business, financial status, solvency and credit, profitability and use of the loan by the Finance Department, and prepare a report.

   The Finance Department conducts investigations on the target of loan lending, and conducts detailed evaluation and review. The assessment shall include at least the following items:

   (1) The necessity of and reasonableness of extending loans to others.
   (2) To measure the necessity of the amount of fund lending according to the financial status of the borrower.
   (3) Whether the accumulated loan amount is still within the limit.
   (4) Impact on the Company's business operations, financial condition, and shareholders' equity.
   (5) Whether collateral must be obtained and appraisal of the value thereof.

(6) Borrower credit status and risk assessment.

2. Preservation

   When the Company handles the fund lending matters, it shall obtain IOU or the secured promissory note, and if necessary, sets up the mortgage of the chattels or real estate of the borrower.

   In the case of the secured claim in the preceding paragraph, if the debtor can provide a pledge to be provided by a person or company that provides considerable capital and credit, the board of directors may proceed with the credit report of the Finance Department. If the company is the guarantor, it should be noted that the company's articles of incorporation have provisions that are guaranteed. However, the company's subsidiaries are exempt from providing collateral or guarantors.

3. Scope of authorization

   (1) The Company's handling of fund lending matters shall be approved by the general manager after the credit checking of the Finance Department, and submitted to the board of directors for approval. No other person may be authorized to decide.

   (2) Loans of funds between the Company and subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down..

   (3) The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the public company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 3, subparagraph 4.

   (4) When the Company loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 5 (Loan period and interest-bearing method)

1. The maximum loan period for each fund is limited to one year.
2. The interest rate is calculated using floating interest rate and shall be adjusted on the basis of the Company's funding costs accordingly. The calculation and collection of the loan interest of the Company shall be based on the principle of monthly interest payment. If there is a special situation, it may be adjusted according to the actual situation after the approval of the board of directors.

Article 6 (Subsequent control measures and overdue claims procedures for the loans)

1. After a loan is extended, the Finance Department shall frequently evaluate the financial status, business and credit of the borrower and guarantor. Where the collateral is provided, and shall pay attention to the change in the value of the collateral, in case of major changes, the chairman should be notified immediately and properly handled according to the instructions of the chairman.
2. When the borrower repays the loan at the expiration of the loan or before the expiration of the loan, the interest payable shall be calculated first, and together with the principal, the Company may cancel the promissory note and return it to the borrower or apply the lien cancellations.
3. The borrower shall pay off the principal and interest immediately upon expiration of the loan. If the borrower violates, the Company will dispose and claim the collateral or guarantor provided by the borrower according to law.

Article 7 (Internal control)

1. The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under provision.
2. The Company's internal auditors shall audit the Procedures for Lending Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found. If a major violation is found, the manager and the organizer shall be disciplined for the violation.
3. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plan.

Article 8 (Announcement and report)

1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
   (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
   (2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest

financial statement.
(3) The amount of new loans of funds by the Company or its subsidiaries reaches NT$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.
4. "Date of occurrence" in the Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Third: Others

1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Lending Funds to Others in compliance with the Procedures, and it shall comply with the Procedures when lending funds.
2. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations and the Company's relevant regulations.

Fourth: Effective and amended

The Procedures of the Company shall first be approved by the audit committee and then submitted to the board of directors for a resolution, and submitted for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.

When the Company submits the Procedures for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

If approval of more than half of all audit committee members as required in paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.