

Regulations Governing Loaning of Funds to Others

Article 1: Purpose

These Regulations are specially established (amended) pursuant to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the Financial Supervisory Commission, which the Operation Procedures for Loans of Funds to Others shall comply with. All matters on which these Regulations are silent will be governed by other applicable laws and regulations.

Article 2: Entities to which the Company may loan funds and the reasons for loan

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

(1) Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
(2) Where an inter-company or inter-firm short-term financing facility is necessary. And limited to the following situations:

1. Those who have short-term financing due to purchase or operational turnover needs.
2. Others to which the board of directors of the Company agrees to loan funds.

The term "short-term" as used in the preceding paragraph means one year.

Article 3: The amount limits of loans

(1) The aggregate amount of loans:

The aggregate amount of loans shall not exceed 40 percent of the Company's net worth as stated in its latest financial statement. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount of the loans of funds to others shall not exceed 10 percent of the Company's net worth as stated in its latest financial statement. The term "financing amount" as used here means the cumulative balance of the Company's short-term financing.

(2) The amount of loans permitted to a single company or firm:

A. Where funds are loaned for reasons of business dealings: the amount of the loan shall not exceed the total amount of trading between the two companies during the period of the 12 months previous to the loan (The total amount of trading between the two parties used here means the highest amount of purchase or sales between the two parties.), and shall not exceed 10 percent of the Company's net worth as stated in its latest financial statement.

B. Where short-term financing is needed: shall not exceed 10 percent of the Company's net worth as stated in its latest financial statement. The amount of the loan permitted to a single borrower shall not exceed 10 percent of the borrower's net worth as stated in its latest financial statement.

(3) The restriction of not exceeding 40 percent of the Company's net worth as stated in its latest financial statement shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares when financing facility is necessary. However, the provisions of the Article 3-2 and Article 4 shall still apply.

Article 4: Duration of loans of funds

The duration of a loan shall not exceed one year

Article 5: Calculation of interest

(1) Interest rate of loans of funds: The interest shall be calculated according to the short-term offered rate announced by the Bank of Taiwan. The interest receivable shall be settled once a month on a daily basis. In special circumstances, adjustment shall be made with the approval of the board of directors.

(2) Default penalty: If the borrower has delayed any payment, for payment in default for a period of not more than six (6) months, a default penalty calculated by multiplying the unpaid amount by the sum of the applicable interest rate and ten percent (10%) will be charged; and for payment in default for a period of more than six (6) months, a default penalty calculated by multiplying the unpaid amount by the sum of the applicable interest rate and twenty percent (20%) will be charged.

Article 6: Operational procedures for loaning funds

(1) Review procedures

Any borrower, when applying for a loan from the Company, shall submit a written application together with the required basis information and financial data to the Company. The Finance & Accounting Department shall conduct the credit check to investigate and evaluate the necessity of and reasonableness of extending loans to others, borrower credit status and risk assessment, impact on the Company's business operations, financial condition, and shareholders' equity, acquisition of collateral and appraisal of the value thereof, etc., and prepare a report. If the term of loan is to be extended year by year, such credit check should be conducted once a year.

(2) Hierarchy of decision-making authority and delegation

Before making a loan of funds to others, the Finance & Accounting Department shall carefully evaluate whether the loan is in compliance with these Regulations. The Company may loan funds to others only after the evaluation results under this Article 6 have been submitted to the Chairman for his/her approval, and submitted to the audit committee for its approval and then submitted to the board of directors for its approval. The Company shall not empower any other person to make such decision.

Loans of funds between the Company and its parent company or 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. Except any lending between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company as provided in the paragraph 3, Article 3, the loan amount authorized by the Board of Directors pursuant to the preceding paragraph for the Chairman to deal with may not exceed ten percent (10%) of the net worth of the lending company as shown on the latest financial statements.

"Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where the Company's financial reports are prepared according to the International Financial Reporting Standards (IFRSs), the term "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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.

(3) Notification and execution of agreements

1. Upon the approval of any loan by the Board of Directors, the personnel-in-charge shall notify the borrower as soon as possible by mail or phone of the terms of the loan, including the amount, term, interest rate, required collateral and guarantor(s) and shall require a written agreement to be signed by the borrower within the specified time limit. The loan proceeds shall not be delivered by the Company until the mortgage on the collateral has been perfected and the process for verification of the guarantor has been completed.

2. Written loan agreements shall be prepared by the Finance & Accounting Department and reviewed in accordance with the Company's requirements; and may only be signed upon the approval of the manager(s)-in-charge.

3. The content of written loan agreements shall be consistent with the approved terms of loans. After the borrower and the joint guarantor(s) have signed or affixed seal on written loan agreements, the personnel-in-charge shall proceed to complete the process for verification of the guarantor(s).

(4) Obtainment of collateral and insurance

The borrower shall make a pledge on its chattel or real property of equivalent amount for the loan, or issue promissory notes with the due date on the date of the expected repayment date to fully secure the loan repayment.

All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the amount of the mortgage thereon. The Company shall be named as the beneficiary of the insurance. The personnel-in-charge shall notify the borrower to renew the insurance before it expires.

(5) Delivery of funds

Loan proceeds may only be delivered after the approval by the Board of Directors and the completion of agreement signing process, guarantor verification process, delivery of required promissory notes, verification of

receipt, perfection of mortgage on collateral and insurance enrollment.

Article 7: Subsequent measures for control and management of loans

(1) The Company shall establish and maintain a memorandum book for its fund-lending activities and truthfully record the identification of borrowers, loan amounts, dates of the Board of Directors' approvals, dates of funds delivery and matters required to be carefully evaluated under paragraph 1, Article 6, and shall periodically monitor the financial condition, operation status and credit of the borrower and the guarantor (if any), and shall have all the collateral (if any) covered by required insurance, and shall monitor the value of collateral across time. In case any material adverse change is found, it shall be reported to the Chairman and proper actions shall be taken per the Chairman's instructions. The Company shall give notice to the borrower for repayment of the loan when due or extension of the term of the loan, at least one (1) month prior to the maturity date.

(2) Borrowers shall be required to repay loans in full together with interest accrued thereon when due on or prior to the applicable maturity date (if permitted) and the promissory notes and receipts of loans may only be voided and returned to borrowers or may only the mortgage be cancelled upon such full repayment.

(3) The Company shall be responsible for making sufficient provision based on the condition of the Company's lending profile, adequately disclosing information in the financial reports and providing external auditors with necessary information for conducting due auditing.

(4) The Company's internal auditors shall perform auditing on the Company's lending profile every quarter and produce written reports. Should there be any violation found, a notification shall be issued to the Audit Committee in writing.

(5) The Company's managers and other persons-in-charge shall comply with the Regulations when making loans to others, and shall be sanctioned subject to the Company's discipline rules when violating the Regulations.

(6) In the event that a borrower becomes disqualified under the Regulations or there is any excess over the lending limit(s) set forth in the Regulations due to unexpected changes, corrective plans shall be proposed and submitted to the Audit Committee. The Company shall then take such planned correction actions within the period specified in such plans.

Article 8: Procedures for handling delinquent creditor's rights

(1) Borrowers shall be required to repay loans in full together with interest accrued thereon on the applicable maturity date. The maturity date for a loan may be extended for three (3) months each time with the prior approval of the Board of Directors and on more than two times.

(2) Any delinquent creditor's right that is unable to be collected after an urgent request may result in foreclosure of collateral and/or recourse to guarantors, so as to ensure the Company's equity.

Article 9:

The Company and its subsidiaries shall announce and report any matters that are required to announce and report pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".

Article 10: When any subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others Regulations Governing Loaning of Funds to Others in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and then shall comply with the Operation Procedures when loaning funds.

Article 11:

The adoption of these Procedures and any amendment hereto shall be approved by the Audit Committee, then submitted to the Board of Directors for approval, and then presented to shareholder meeting for resolution; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the Audit Committee and for discussion by the shareholders' meeting.

When the company submits its Regulations Governing Loaning of Funds to Others 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.

The Regulations Governing Loaning of Funds to Others were adopted on May 30, 1997.

The first Amendment hereto was adopted on Jun 3, 2002.

The second amendment hereto was adopted on Jun 3, 2003.

The third amendment hereto was adopted on Jun 1, 2004.

The fourth amendment hereto was adopted on Jun 12, 2006.

The fifth amendment hereto was adopted on Jun 13, 2008.

The sixth amendment hereto was adopted on Jun 10, 2009.

The seventh amendment hereto was adopted on Jun 15, 2011.

The eighth amendment hereto was adopted on Jun 10, 2013.

The ninth amendment hereto was adopted on May 29, 2018.