

(Translation-In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

IR004	Procedures for Lending Funds to Other Parties	Publication (Revision) Date	Effective Date	Version
		2010/12/20	2020/05/29	04

Article 1 Purpose

If the Company deems it necessary to loan funds to others for business needs, these Procedures shall be strictly observed.

Article 2 Legal Basis

These Procedures have been formulated pursuant to relevant provisions set forth in the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (hereinafter referred to as “these Regulations”) of the Financial Supervisory Commission (hereinafter referred to as “FSC”). For matters not specifically covered in these Procedures, regulations set forth in relevant laws shall apply.

Article 3 Entities to which the Company may loan funds

The Company shall not loan funds to other parties except under the following circumstances:

1. Loans to companies or businesses that have business dealings with the Company. The term “business dealings” shall refer to orders from or sales to the Company.
2. Loans to companies or businesses with short-term financing needs. The term “short-term” shall refer to a period of a one-year or one operating cycle (whichever is longer).

Article 4 Evaluation standards for loaning funds to others

Where the Company engages in the loaning of funds as a result of business dealings, such dealings shall have already occurred and until the time the loan is granted. The “total amount of the business transactions” refers the amount of purchases or sales during the recent year or the present year until the time of lending funds, whichever is higher. The following restrictions shall apply for loans to meet short-term financing needs:

1. The Company adopts an equity method to determine the needs of invested companies generated by return of bank loans, purchase of equipment, or working capital demands.
2. Businesses in which the Company directly or indirectly holds over 50% of all shares have financing needs generated by return of bank loans, purchase of equipment, or working capital demands.
3. Businesses in which the Company directly or indirectly holds over 50% of all shares have reinvestment needs and such reinvestments are related to the business operations and benefit the business development of the Company.

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Article 5 The aggregate amount of loans and the maximum amount permitted to a single borrower:

1. The total loan amount shall not exceed 20% of the net worth of the Company as stated in the most recent financial statement.
2. In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed the total amount of the business transactions between the Company and the borrower and 10% of the net worth of the Company as stated in the most recent financial statement. The “total amount of the business transactions” refers the amount of purchases or sales, whichever is higher.
3. Each inter-company loan of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares shall not exceed 100% of the net worth of the lending enterprise. The amount of loan to a single borrower shall not exceed 40% of the Company’s net worth, and the time limit for fund-lending shall not exceed one year. The interest rate for granted loans shall not be lower than the base rate charged by Bank of Taiwan. Interest shall be calculated for every loan according to the daily rate and settled and charged at the end of each month.
4. When a responsible person of the Company violates Article 3 and paragraph 1 and paragraph 2 of this Article, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.

Article 6 Duration of loans and calculation of interest

1. When granting loan to others, the Company shall specify duration of loans. The term of each loan shall not exceed one year. However, if a company’s operating cycle exceeds one year, such term shall mean one operating cycle.
2. The interest rate for granted loans shall not be lower than the base rate charged by Bank of Taiwan plus 2%. Interest shall be calculated for every loan according to the daily rate and settled and charged at the end of each month.

Article 7 Procedures for handling loans of fund

The Company’s procedures for handling loans of fund are as follows:

1. The borrower shall submit a loan application letter.
2. Finance and accounting department shall evaluate monetary limit and conduct credit check of the borrower.

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3. Evaluation result shall be approved by the general manager.
4. Evaluation result shall be approved by the chairperson.
5. Evaluation result shall be approved by the Audit Committee.
6. Loans of funds shall be submitted for a resolution by the Board of Directors.
7. The finance and accounting department shall handle security and drawdown of the fund.
8. The borrower shall sign for confirming receipt of the fund.

Article 8 Detailed review procedures

1. The necessity of and reasonableness of extending loans to others:
Any borrower, when applying for a loan from the Company, shall submit a “Loan application letter” together with financial information and other financial information, to the Company’s finance and accounting department. After receiving the application, the finance and accounting department shall first evaluate the necessity and reasonableness of the loan application, and then conduct a detailed review.
2. Borrower credit status and risk assessment:
 - A. First-time borrowers shall provide basic personal and financial information to facilitate credit check operations.
 - B. Follow-up credit checks shall be carried out when first-time borrowers apply for successive loans. In case of serious incidents or emergencies, the matter may be handled as required in accordance with actual needs.
3. Where the Company conducts credit checks and risk assessments for borrowers, it shall also assess operational risks and impacts on the financial condition and shareholders’ equity of the Company itself generated by the loan.
4. Acquisition of collateral and appraisal of the value thereof:
Borrowers shall pledge real estate or negotiable securities of equal value or submit promissory notes (with the repayment date as the due date of the note) for safekeeping by the Company for loans granted. Borrowers may also create a pledge or mortgage. The Company shall assess the value of the provided collateral to safeguard its creditor’s rights.
5. After obtaining relevant information of the borrower, the finance and accounting department shall investigate and evaluate the borrower’s business, financial status, solvency and credit, profitability, reason of the loan, and its necessity, and then prepare a report, including the borrower, reason, loan ceiling, term, interest rate, calculation of interest, repayment, funding transaction, collateral or other means of guarantee. Such report shall be approved by the general manager and the chairperson, and then

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submitted to the Audit Committee and the Board of Directors for approval. The finance and accounting department will handle relevant matters. If approval of more than half of all Audit Committee members as required 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.

6. The finance and accounting department shall handle drawdown after obtaining the collateral or means of guarantee from the borrower.
7. When signing loan agreements with the borrower, the seals used for lending shall be the official corporate seals registered with the Ministry of Economic Affairs and responsible person of the Company, and the finance and accounting department shall check the seals and signatures of debtor and guarantor.

Article 9 Announcement and reporting procedures

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 on the Market Observation Post System.
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:
 - A. 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.
 - B. 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.
 - C. 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 domestic public company any matters that such subsidiary is required to announce and report pursuant to the preceding subparagraph.
4. The Company shall assess the status of its loans and reserve sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide CPAs with relevant information for implementation of necessary auditing procedures.

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The term “date of occurrence” as used in these Procedures shall refer to 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 loan of funds, whichever date is earlier.

Article 10 Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights

1. The finance and accounting department shall closely monitor the financial, business, and credit conditions after loans have been granted. Where collateral has been provided, changes in the value of such collateral shall also be closely monitored. In case of significant changes, the chairperson shall be notified immediately and the matter shall be handled according to directions in an appropriate manner.
2. Borrowers, prior to the due date of the loan, shall calculate and pay the interest along with the loan amount in order to have the promissory note cancelled or returned to the borrower or the mortgage written off.
3. All loans and its interest shall be paid off upon the due date. In the event that a loan is over-due and not repaid, the Company shall take legal measures against its collateral or guarantor.
4. The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the Audit Committee, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated under Article 8.
5. The Company's internal auditor shall audit the these Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. Such internal auditor shall promptly notify the Audit Committee in writing of any material violation found.

Article 11 Penalty for violation of these Regulations or of the Company's Procedures for Lending Funds to Other Parties by managers or personnel in charge

Where managers and personnel in charge violate these Procedures, penalties shall be imposed in accordance with the severity of the violation and the matter shall be reported for consideration during performance evaluations in accordance with the employee manual.

Article 12 Procedures for controlling and managing loans of funds to others by subsidiaries

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1. The Company’s subsidiaries shall formulate their own procedures for loaning funds to other parties in compliance with these Procedures, and it shall comply with their procedures when loaning funds.
2. Subsidiaries shall submit data on loans extended in the previous month to the financial unit of the Company by the fifth of every month.
3. Internal auditors of subsidiaries shall audit the procedures for lending funds to other parties and the implementation conditions thereof at least on a quarterly basis and create written records. Where material violations are found, the Company’s internal audit department shall be notified in writing in a prompt manner, and the Company’s internal audit department shall submit written information to the Audit Committee.
4. When auditor of the Company conducts an audit in subsidiaries in accordance with annual audit plan, such auditor shall also examine the implementation conditions of the procedures for lending funds to other parties. Where deficiencies are detected, improvements shall be tracked constantly and tracking reports shall be compiled and submitted to the chairperson and the Audit Committee.

Article 13 Transitional provisions

Where loan recipients do not conform to the regulations set forth in these Procedures or balances exceed the authorized limit due to a change in circumstances, the auditors shall urge the finance and accounting department to devise improvement plans and submit these plans to the Audit Committee. Improvements shall be implemented in accordance with these plans.

Article 14

These Procedures shall be implemented after adoption by resolution of the Board of Directors, and shall be reported to 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 these Procedures.

When the Company submits these 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. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the Board of Directors meeting.

When the Company amends these Procedures, the amended procedures shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be

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submitted for a resolution by the Board of Directors. If the approval of one-half or more of all Audit Committee members as required is not obtained, these Procedures may be implemented if approved by two-thirds or more 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.

Article 15

These Procedures were established on December 20, 2010.

The first amendment to these Procedures was made on June 19, 2013.

The second amendment to these Procedures was made on June 15, 2017.

The third amendment to these Procedures was made on May 29, 2020.

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