



## Handling Procedures for Capital Lending

### **Article 1 Purpose**

In order to provide specific operating rules in respect of capital lending by the Company, the Handling Procedures are enacted in accordance with the “Guidelines for Handling Capital Lending, Endorsements and Guarantees Made by Public Companies” promulgated by the Financial Supervisory Commission (“FSC”).

### **Article 2 Entities of capital lending**

Unless otherwise in any of the following circumstances, the capital of the Company shall not be lent to any third party:

- (1) where the business transactions between the Company and other company or firm which calls for such lending arrangement;
- (2) where the short-term financing facility is necessary for the company or firm directly or indirectly invested by the Company.

### **Article 3 The aggregate amount of capital lending and the maximum amount permitted to a single borrower**

- (1) The aggregate outstanding amount of capital lending shall not exceed forty percent (40%) of the Company’s net worth as shown in the Company’s latest financial statements.
- (2) The limit on the amount of capital lending to the each individual borrower is as follows:
  - i) If there is any business transaction between the Company and other company or firm which calls for capital lending, the amount of capital lending for each individual company or firm shall not exceed three times the average monthly amount of transactions between the Company and the borrower during the most recent year prior to lending. The term “the amount of the transactions” as used herein means the higher of the purchase amount or sale amount of the business transactions between the Company and such borrower.
  - ii) The maximum financing amount of capital lending which provides a single borrower, for short-term financing needs, shall not exceed 10 percent of the Company’s net worth as stated in its latest financial statement, and the aggregate



outstanding amount of capital lending shall not exceed 40 percent of the Company's net worth as stated in its latest financial statement. The term "financing amount" as used in the Handling Procedure means the cumulative balance of short-term financing amount for a borrower.

- (iii) The overseas subsidiaries, whose 100% outstanding voting shares are directly or indirectly held by the Company, loan their funds among others, or to the Company, shall not be subject to the limitation of subparagraph 2 of this paragraph. However the Company's subsidiaries shall set the aggregate limit of capital lending and the maximum limit permitted for a single borrower and shall stipulate the durations of capital lending in its Handling Procedures.
- (iv) If the responsible person of the Company violates the provisions of items (i) and (ii) of this paragraph, the responsible person shall bear the joint responsibility for returning the capital lending with the borrowers; if the Company suffers damage, the responsible person shall also be liable for damages.

(3) The capital lending between the Company and its subsidiaries, or among the Company's subsidiaries shall be approved by the Board of Directors. The Board of Directors may authorize the Chairman to approve to loan a single borrower within a specific limit resolved by the Board of Directors, and for a period not more than one year, allow such borrower to make drawdown for several times or have revolving capital lending.

The term "specific limit set" set forth in the preceding sub-paragraph shall be pursuant to paragraph (2), sub-paragraph (iii) and the outstanding balance of capital lending made by the Company and its subsidiaries to a single borrower shall not exceed 10 percent or more of the borrower's net worth as stated in its latest financial statement.

#### **Article 4 The Tenor of Capital Lending and the Methods for Calculation of Interest**

The tenor of capital lending shall not be longer than one (1) year. The interest rate shall be calculated by the Company's short-term funding cost plus certain margin, and the interest may be collected on a monthly basis or be collected on the due date of the capital lending.

#### **Article 5 The Procedures for Reviewing and Approving Capital Lending**

- (1) Credit checking

The borrower shall provide the Company with the certificate of company registrations,



ID certificate of its responsible person, and necessary financial information for the Company to conduct the credit checking.

(2) Approving capital lending

After conducting credit checking, the Company's finance department shall evaluate the reason, use of proceeds, purpose, amount, effect on such capital lending, the value of the collateral and the credit and operational conditions of the applicant (borrower), and further evaluate the impact on the Company's operation risk, financial conditions and the shareholders equity caused by such capital lending. Results of the evaluations shall be submitted to the board of directors for discussion and approval.

(3) Inform the applicant

After the Board of Directors approves the capital lending, the person in-charge in the finance department shall inform the applicant as soon as possible, in writing or by phone, of the approval and the detailed terms and conditions with respect to such capital lending.

(4) Security

Except the borrower is a subsidiary, at the time when the borrower applies to drawdown the funds, the borrower shall provide the Company with the promissory note or other collateral with the corresponding val



(2) If the Company or the Company's subsidiary whose balance of capital lending reaches one of the following levels, the Company shall make a public announcement and file the necessary report(s) in the format prescribed by the FSC within two days from the date of occurrence of the relevant event:

- (i) The aggregate capital lending balance reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
- (ii) The balance of capital lending to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
- (iii) The balance of capital lending increases by more than NT\$10 million and by 2 percent or more of the Company's net worth as stated in its latest financial statement.

(3) If the Company's subsidiary is not a domestic public company but is required to make a public announcement and file the necessary report(s) in accordance with Paragraph (2) above, the Company shall make such public announcement and file the necessary report(s), for and on behalf of such subsidiary, of the capital lending conducted by such subsidiary.

When determining whether the outstanding amount reaches the net worth threshold prescribed in Paragraph (2) above, the test shall be whether the outstanding amount of the subsidiary's capital lending reaches the prescribed percentage of the Company's net worth.

(4) The Company shall evaluate the capital lent by it, provide the adequate and sufficient allowance for bad debts, make the proper disclosure of the relevant information in connection therewith in the financial statements and provide the relevant material and information to the CPA for his/her to proceed with the necessary auditing procedure.

(5) The term "the date of occurrence" as used in the Handling Procedures shall mean 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 capital lending, whichever date is earlier; the term "make a public announcement" and "file the necessary report(s)" as used in the Handling



Procedures, shall mean information disclosure posted on the website designated by the FSC.

### **Article 7 The Subsequent Measures for Supervising Capital Lending and the Procedures for Handling Overdue Lending**

- (1) After the funds are advanced, the Company shall keep monitoring on the financial condition, business condition, credit of the borrower and guarantor and change of the value of collateral provided for the borrowing, if any. The Company shall inform the borrower, at least three months prior to the maturity date, to repay on the maturity date. If there is any material change, the person in-charge shall report such change to the Chairman of the Board of Directors immediately and handle the relevant matters properly in accordance with chairman's instruction.
- (2) When the borrower repays the advances on or prior to the maturity date, the Company will cancel and return the evidence of borrowing such as the promissory note to the borrower or proceed with the mortgage discharge registration with respect to the collateral, if and only if the principal and interest calculated by the Company have been fully repaid.
- (3) If the borrower fails to repay on the due date, the Company may dispose of the collateral and/or ask the guarantor for repayment in accordance with the applicable laws and regulations.
- (4) If the relevant capital lending is required to be submitted to the board of directors for discussion, such lending shall be approved by a majority of all members of the Audit Committee and submitted to the board of directors for resolution. If such lending is not approved by a majority of all members of the Audit Committee, alternatively, such lending may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.
- (5) "All members of the Audit Committee" and "All Directors" referred to in the preceding paragraph shall mean the actual number of the committee members/directors.

### **Article 8 Penalty**

If any manager or person in-charge of capital lending, due to his/her negligence, violates the Handling Procedures and as a result causes serious damages to the



Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance division immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company, the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting.

### **Article 9 The Procedures for Supervising Capital Lending by Subsidiaries**

- (1) If the Company's subsidiary intends to lend capital to the third party, such subsidiary shall adopt its own handling procedures for capital lending<sup>2</sup> in accordance with the "Rules Governing Capital Lending and Endorsements and Guarantees by Public Companies" promulgated by the FSC, after consulting with the Company's opinions. Subsidiary's Handling Procedures shall be approved by the subsidiary's Audit Committee and/or Board of Directors and/or the shareholders' meeting. The same shall apply to amendments to such Handling Procedures.
- (2) The Company shall supervise its subsidiaries to check whether or not the handling procedures for capital lending are in compliance with the relevant law and regulations or not and whether the subsidiary lends capital in accordance with such subsidiary's own handling procedures for capital lending transactions.
- (3) The Company's internal auditing personnel shall review and check the examination reports produced by each subsidiary.

### **Article 10 Miscellaneous**

- (1) The term "subsidiary" as used in the Handling Procedures shall have the same meaning as defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".  
The term "net worth" as used in the Handling Procedures shall mean the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (2) The internal auditing personnel shall examine and audit the Handling Procedures and the implementation thereof at least on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Handling Procedures, they shall inform the Audit Committee of such violation in

- (3) If the entity that the company loans its funds to is no longer meets the regulations or the Company's outstanding amount of capital lending exceeds the limit provided in the Handling Procedures due to change of the circumstances, the Company shall submit the improvement plan to the Audit Committee and execute the plan on schedule.
- (4) Matters not provided for in the Handling Procedures shall be governed by relevant laws, regulations, and the Company's other internal regulations.

### **Article 11 Board of Director**

- (1)Enactment of or amendment to the Handling Procedures shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution. If enactment of or amendment to the Handling Procedures is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.
- (2) The Handling Procedures shall be approved by the board of directors and further submitted to the shareholders meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.

### **Article 12**

The Handling Procedures were enacted on October 9, 1998; first amendment was made on April 11, 2002; second amendment was made on May 29, 2003; the third amendment was made on June 13, 2007; the fourth amendment was made on June 19, 2009; the fifth amendment was made on June 18, 2010; the sixth amendment was made on June 13, 2012; the seventh amendment was made on June 19, 2013; the eighth amendment was made on June 6, 2014, and the ninth amendment was made on June 14, 2019 .