

Title: Procedures for Loaning of Funds and Making of Endorsements and Guarantees

Date: 2017.03.24 (Amended by the board of directors)

2017.07.22 (Approved by the meeting of shareholders)

Chapter I Operational Procedures for Loaning Funds to Others

Article 1: Any and all of the Company's matters concerning the loan of funds to others shall be implemented in accordance with the provisions of these Procedures.

Article 2: Entities to which the Loan is made

Funds of the Company shall not be loaned to any of its shareholders or any other person except under the following circumstances:

- A. A company with which it does business.
- B. Where short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the Company's net worth.

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

The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the public company's short-term financing.

The term "net worth" in these Procedures 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.

The restriction in paragraph 1, sub-paragraph 2 shall not apply to loans of fund between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 4, and Article 6, sub-paragraph 1 concerning the setting of the amount limits and the durations of loans shall still apply.

Article 3: Reasons and Necessity for Loaning Funds to Others

Where the Company engages in fund loaning due to business relationship with other companies or firms, it shall comply with the provisions of Article 4, paragraph 1, sub-paragraph 2; where it is necessary to engage in fund loaning due to the requirements of short-term financing, it shall only be conducted for the following circumstances:

- A. Where a company in which the Company holds more than 20 percent of the shares has the necessity for short-term financing due to business needs.
- B. Where other companies or firms has the necessity for short-term financing due to purchasing materials or operating turnover needs.
- C. Other entities approved by the board of directors of the Company, to which the loans is made.

Article 4: The Total Amount of Loan of Funds and the Limit of Each Entity to which the Loan is made to

- A. The total amount loaned by the Company shall not exceed 40 percent of the Company's net worth.

- B. Where there is any inter-company or inter-firm transaction with the Company, provided that such loaned amount shall not exceed 20 percent of the Company's net worth.
- C. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such loaned amount shall not exceed 20 percent of the Company's net worth.

Article 5: Loan Procedures

A. Credit Investigation:

When the Company handles loan of funds, the borrower shall submit the necessary corporate information and financial information in prior, and apply to the Company in writing for the financing amount.

After the Company accepts the application, the accounting department shall investigate and evaluate the business scope, financial status, solvency and credit, profitability and loan purpose of the entity to which the loan is made and prepare a report.

The accounting department shall conduct a detailed assessment and review of the entity to which the loan is made to, and the assessment items shall at least include:

- (1) The necessity of and reasonableness of extending loans to others.
- (2) The appropriateness of the loan amount is measured by the financial status of the entity to which the loan is made.
- (3) Whether the accumulated loaned amount remains within the limit.
- (4) The 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) Credit status and risk assessment of the entity for which the loan is made.

B. Security:

When the Company handles loan of funds, it shall obtain a certificate of indebtedness or secured promissory notes, and if necessary, handle the mortgage registration of properties or real estate. For the guarantee of the creditor's rights specified in the preceding paragraph, instead of providing the collateral, the debtor may provide an individual or corporate with considerable solvency and credit as the guarantee; if having company as the guarantee, it is required to understand whether there are provisions in its articles of association that allow such guarantee.

C. Scope of Authorization:

The Company's handling of loans shall be submitted to the board of directors for approval after credit investigation and evaluation by the Company's accounting department, and no other person shall be authorized to make related decisions. 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 chairman 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.

The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10 percent of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 2, paragraph 4.

Where the Company has established the position of independent director, 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 6: Duration of Loan and Calculation of Interest

- A. The maximum term for each loan of funds is one year. In case of special circumstances, the loan term may be extended according to the actual situation with the approval of the board of directors.
- B. The chairman is authorized to determine the method for calculating interests.

Article 7: Subsequent Control Measures for the Loaned Amount, and Overdue Claims Handling Procedures

- A. After the loan is given, it is required to be aware of the financial, business and relevant credit status of the borrower and the guarantor. If any collateral is offered, it is required to be aware of whether there is any change in the value of the collateral. If there is any significant change, it is required to immediately submit notification to the chairman of the board, and make adequate handling based on the instructions.
- B. When the borrower repays the loan at or before the maturity of such loan, it shall first calculate the interest payable and repay the loan together with the principal before canceling the certificate of indebtedness or promissory note and returning them to the borrower or canceling the registered mortgage.
- C. The borrower shall repay the principal and interest immediately when the loan becomes mature. If the repayment is not fully made on time and requires to extension, a request shall be made in advance and reported to the board of directors for approval. Each extended repayment shall not exceed twelve months and shall only be extended for three times at maximum, and the Company may, based on the laws and regulations, make claims against the collateral or guarantor provided in a manner of mandatory enforcement.

Article 8: Internal Control

- A. 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 board of directors, lending/borrowing date, and matters to be carefully evaluated under the preceding Article.

- B. The Company's internal auditors shall audit the operational procedures for loaning 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 any material violation is found, the managers and sponsors shall be punished according to the severity and nature of such violation.
- C. If, as a result of a change in circumstances, an entity for which does not meet the requirements of these 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 9: Announcement and Reports

- A. The Company shall announce and report the previous month's loan balances of itself and its subsidiaries by the 10th day of each month.
- B. 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.

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.

Article 10: Miscellaneous

- A. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Loaning Funds to Others in compliance with these Procedures, and it shall comply with the Procedures when loaning funds.
- B. The Company's subsidiaries shall also check the procedures for loaning to others and the implementation status by themselves, and prepare related written records.
- C. When the auditors of the Company visit the subsidiaries to conduct an audit

according to the annual audit plan, they shall also review the self-inspection report of such subsidiaries, and understand the operational procedures of their loaning of fund to others, and prepare and submit the tracking report to the general manager for review.

- D. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures, and issue adequate audit reports.
- E. Matters not covered in these Procedures shall be handled in accordance with the relevant laws and regulations and the relevant provisions stipulated by the Company.

Chapter II Procedures for Making of Endorsements/Guarantees

Article 11: Any and all of the Company's matters concerning the making of endorsements/guarantees shall be implemented in accordance with the provisions of these Procedures.

Article 12: Scope of Application

A. Financing endorsements/guarantees:

- (1) Bill discount financing.
- (2) Endorsement or guarantee made to meet the financing needs of another company.
- (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.

B. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

C. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two sub-paragraphs.

D. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.

Article 13: Entities for which the Company may Make Endorsements / Guarantees.

The Company may make endorsements/guarantees for the following companies:

- A. A company with which it does business.
- B. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- C. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10 percent of the net worth of the Company, provided that this restriction shall not apply to

endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.

Where the Company fulfills its contractual obligations by providing mutual guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements and guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100 percent of the voting shares.

For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed.

Article 14: Limit of Endorsements/Guarantees

- A. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
- B. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
- C. For those who engage in endorsement/guarantees due to business relationship with the Company, in addition to the above-mentioned limit, the amount of individual endorsement/guarantee shall not exceed the amount of business transactions between both parties. The transaction amount refers to the purchase or sales amount between the both parties, whichever is higher.

Article 15: Decision-making and Hierarchy of Authorization

- A. The Company's endorsement and guarantee shall be subject to the approval of the board of directors. The board of directors may authorize the chairman of the board to solely determine the amount within a certain scope, and then report such decision to the latest session of board of directors for ratification. Before making any endorsement/guarantee pursuant to Article 13, paragraph 2, a subsidiary in which the Company holds, directly or indirectly, 90 percent or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares. Where

the Company has established the position of independent director, 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.

- B. Where the Company needs to exceed the limits set out in these Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in these Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend these Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit. Where the Company has appointed independent directors, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 16: Procedures for Endorsements/Guarantees

- A. Where the Company handles the endorsement and guarantee, the endorsed/guarantee company shall issue an endorsement/guarantee application to the accounting department of the Company, which shall then be submitted to the general manager for verification, and if necessary, collateral shall be provided and submitted to the board of directors for approval, which shall be handled in accordance with the resolution of the board of directors.
- B. The accounting department shall conduct credit investigation and risk assessment for the endorsed/guaranteed company. The assessment items shall include:
- (1) The necessity of and reasonableness of endorsements/guarantees.
 - (2) The appropriateness of the endorsed/guaranteed amount shall be measured by the financial status of the endorsed/guaranteed company.
 - (3) Whether the accumulated endorsed/guaranteed amount remains within the limit.
 - (4) If engaging in endorsement/guarantee due to business relationship, it is required to evaluate whether the amount of endorsement/guarantee and the amount of business transactions are within the limit.
 - (5) The impact on the Company's business operations, financial condition, and shareholders' equity.
 - (6) Whether collateral must be obtained and appraisal of the value thereof.
 - (7) Attach the records of endorsement/guarantee credit investigation and risk assessment.

- C. The accounting department shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under the preceding paragraph.
- D. The accounting department shall evaluate and recognize the contingent loss of the endorsements/guarantees, properly disclose the endorsements/guarantees information in the financial report, and provide the relevant information to the certified public accountant to facilitate the adoption of necessary audit procedures and issuance of appropriate audit reports.
- E. Where as a result of changes of condition the entity for which an endorsement/guarantee is made originally complied with the provisions of these Procedures subsequently fail to comply with the provisions, or where the amount of endorsements/guarantees exceeds the limit set in these Procedures, the accounting department shall formulate an improvement plan for the endorsed/guaranteed amount or the part exceeding the limit, which shall be submitted to the audit committee and reported to the board of directors, and the improvement shall be completed according to the planned schedule.

Article 17: Cancellation of Endorsements/Guarantees

- A. If the relevant documents or instruments of the endorsement guarantee require to be released due to the repayment of debts or the renewal of the extended period, the endorsed/guaranteed company shall prepare a formal letter to deliver the original endorsement/guarantee-relevant documents to the accounting department of the Company, which shall be returned with the seal of "cancellation" affixed thereon for future reference.
- B. The accounting department shall record the cancellation of the endorsements/guarantees in the memorandum book at any time to reduce the amount of the endorsements/guarantees.

Article 18: Internal Control

- A. The Company's internal auditors shall audit the procedures for endorsements/guarantees for 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.
- B. The Company shall follow the prescribed procedures when undertaking endorsements/guarantees. If any material violation is found, the managers and sponsors shall be punished according to the severity and nature of such violation.

Article 19: Procedures for custody of corporate chops.

- A. The Company has the company seal applied to the Ministry of Economic Affairs as the dedicated seal specimen for endorsements and guarantees. The seal specimen shall be kept by the supervisor of the secretary office and used in

accordance with the procedures. The appointment, dismissal or change of the seal specimen storage staff shall be reported to the board of directors for approval.

- B. When making a guarantee for an overseas company, the Company shall have the guarantee agreement signed by a person authorized by the board of directors.

Article 20: Announcement and Report

- A. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
- B. The Company whose balance of endorsements/guarantees reaches 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 endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
 - (4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

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 4 of the preceding paragraph.

Article 21: Miscellaneous

- A. Where a subsidiary of the Company intends to make endorsements/guarantees to other companies, the Company shall instruct it to formulate its own Procedures for Endorsement/Guarantees in compliance with these Procedures, and it shall comply with the Procedures when loaning funds.
- B. The Company's subsidiaries shall also check the endorsements/guarantees procedures and the implementation status by themselves, and prepare related written records.
- C. When the auditors of the Company visit the subsidiaries to conduct audit according to the annual audit plan, they shall also review the self-inspection report

of such subsidiaries, and understand the operational procedures of their endorsements/guarantees, and prepare and submit the tracking report to the general manager for review.

- D. Matters not covered in these Procedures shall be handled in accordance with the relevant laws and regulations and the relevant provisions stipulated by the Company.

Chapter 3 Effect and Amendment:

These Procedures shall be approved by the Audit Committee, and then submitted to the board of directors for resolution and submitted to the shareholders' meeting for approval. If any director has any objection and there is any record or written statement, the Company shall submit such objection to the Audit Committee and report it to the shareholders for discussion, and the same shall apply upon amendment.

Where presenting such Procedure to the board of directors for discussion in accordance with the provisions of the preceding paragraph and the positions of independent directors are established, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.