



Document No	W-FA-I-003	Release Date	220630
Document Name	Regulations for the Loaning of funds	Version	D

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Revise History				
Version	Owner	Review	Release Date	Release Explain
A	Tsai Shing-Fang	Chang Sheng-Shih	110627	First Release
B	Tsai Shing-Fang	Chang Sheng-Shih	130416	In accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the competent authority in July 6, 2012
C	Chen Yu-Wen	Tsai Shing-Fang	140623	In accordance with practical needs of the company
D	Wu Kun-Jung	Huang An-Bang	170505	In accordance with practical needs of the company
E	Lee Yi-Ching	Huang Mei-Fang	190412	1. In accordance with practical needs of the company. 2. Revised in accordance with the competent authority March 7, 2019 Financial Management Order No. 1080304826
F	ZhaoYan-Ling	Huang Mei-Fang	220630	In accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the competent authority



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1. Purpose:

The regulations are formulated in order to meet the business operations of the company and comply with the relevant laws and regulations of the competent authority.

2. Scope:

The company shall comply with the regulations when making loans to others; provided that where another act or regulation provides otherwise, the provisions of such act shall prevail.

3. Authorities and responsibilities:

The regulations are formulated and revised by the accounting unit in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

4. Definition:

4.1 "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.

4.2 “Date of occurrence” in these Regulations 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.

4.3 Where the company’s financial reports are prepared according to the International Financial Reporting Standards, "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.

5. Operating procedures:

5.1 Entities to which the company may loan funds:

- (1) Where the business transaction of a company or firm calls for a loan arrangement.
- (2) Where the short-term financing facility is necessary for a company or firm (Only limited to subsidiaries in which the company directly and indirectly holds more than 50 percent of the voting shares.)

5.1.1 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.



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5.1.2 The restriction in 5.1.1 shall not apply to inter-company loans of funds between overseas companies in which the Company, directly or indirectly holds 100% of the voting shares.

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

- (1) The total financing amount shall not exceed 40 percent of the lender's net worth.
- (2) Where the business transaction of a company or firm calls for a loan arrangement, the amount of a loan shall not exceed the total amount of trading within 12 months before the loan arrangement, and shall not exceed 40 percent of the lender's net worth. The so-called “total amount of trading” refers to the highest amount of purchase or sales between the two parties.
- (3) Where the short-term financing facility is necessary for a company or firm (Only limited to subsidiaries in which the company directly and indirectly holds more than 50 percent of the voting shares.), the amount of a loan shall not exceed 40 percent of the company's net worth.
- (4) The restriction of financing amount not exceeding 100 percent of the company' net worth shall apply to the inter-company loans of funds between foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares. Or shall apply to the company loans of funds to the company, from the foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares. However, if the company's subsidiary is a company established in Taiwan, the financing amount shall not exceed 40 percent of the lender's net worth in accordance with Article 15 of the Company Act.

5.3 Operating procedures for the loaning of funds:

5.3.1 Review:

- (1) When the borrower applies for a loan from the company, an application form shall be provided detailing the amount, the date, the purpose and the situation of the guarantee. The basic and financial information is also needed for the company to review the borrower's credit status.
- (2) According to the information obtained in the preceding paragraph, the following shall be reviewed by the accounting unit and results shall be recorded in the “Application form for the loaning of funds”:
 1. Necessity of and reasonableness of extending loans to others.
 2. The borrower's credit status and risk assessment.
 3. The impact on the company's business operations, financial condition, and shareholders' equity.
 4. Whether collateral must be obtained and appraisal of the value thereof.

5.3.2 Preservation: When the borrower applies for a loan from the company according to the regulations of 5.3.1, except for the subsidy in which the company directly and indirectly holds more than 50 percent of



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the voting shares. An equal amount of promissory notes, collateral and other guarantees required by the company shall be provided. Other collaterals shall be subject to pledge and/or mortgage establishment procedures to ensure the company's claims.

5.3.3 The scope of power:

- (1) Before making a loan of funds to others, the Company shall carefully evaluate whether or not the loan is in compliance with these Regulations, and submit the evaluation results in accordance with 5.3.1 for the approval and resolution of the Board of Directors. The company shall not empower any other person to make such decision.
- (2) Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors, 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. The authorized limit on loans shall not exceed 10% of the net worth on the most current financial statements of the Company.

5.3.4 Duration of loans and calculation of interest: Except under business transactions, the duration of loans shall not exceed one year. The interest rate shall not be lower than the maximum interest rate of the company's short-term borrowings from financial institutions at the time loan, and shall be calculated on a monthly basis. In case of special circumstances, it may be adjusted according to actual needs after approval by the board of directors.

For the inter-company loans of funds between foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares, or for the company loans of funds to the company, from the foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares, the duration of loans shall not referred to in the preceding paragraph and not exceed 5 years but shall be extended at maturity.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction.



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5.3.5 When the company loans funds to others, it shall complete the “fund transfer order” according to the “Application form for the loaning of funds” approved by the competent authority, and execute it after the approval by the supervisor, and it 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 that are carefully evaluated.

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

- (1) After the loan is released, it should always pay attention to the financial security and relevant credit status, etc. of the borrower and the guarantee. If there is any collateral, then it should pay attention to the change of the value, notify the chairman immediately, and handle according to the chairman's instructions.
- (2) When the borrower repays the loan on expiration date or in advance, it shall first calculate the interest, paid together with the principal, and then cancel the promissory loan or cancel the mortgage.
- (3) When the loan expires, the borrower shall pay off the principal and interest. If the payment is due and the application is delayed, it must be submitted in advance to the board of directors for approval. If the regulations are violated, the company shall punish and recover from the collateral or guarantor in accordance with the law.

5.4 Precautions for the loaning of funds:

- (1) After the company has set up the audit committee according to the provisions of the regulations, major capital loans shall be approved by more than one-half of all members of the audit committee, and the resolution to the board of directors shall be submitted. If no more than one-half of the consent of the audit committee members is obtained, it may be approved by more than two-thirds of the directors and the resolutions of the audit committee should be stated at the board meeting. All members of the audit committee and all the alleged directors are counted as actual incumbents.
- (2) Where the company has established the position of independent director, when it 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.



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- (3) 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 all the supervisors in writing of any material violation found.
- (4) If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these regulations or the loan balance exceeds the limit, the company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.

5.5 Procedures for controlling and managing loans of funds to others by subsidiaries:

- (1) Where a subsidiary of the company intends to make loans to others, it shall formulate its own operational procedures for loaning funds to others in compliance with the regulations, and it shall comply with the procedures when loaning funds.
- (2) Subsidiaries shall provide relevant information to the company before the funds are loaned to others, and submit to the company's board of directors for a resolution and be approved by the board of directors.
- (3) After the loan is released, the subsidiary shall regularly report the follow-up of the loan and the amount to the company.

5.6 Information Disclosure

- (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 with loans of funds reaching one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
- (2.1) 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.
- (2.2) 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.
- (2.3) 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.



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(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 5.6(2).

(4) 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.

5.7 Penalties: Managers or personnel in charge shall be penalized when they are in violation of these regulations or of the company's Operational Procedures for the Loaning of Funds.

5.8 Supplements: Matters not covered in these provisions shall be handled in accordance with the relevant laws and regulations.

5.9 Implementation and revision:

5.9.1 This approval procedure shall be implemented after operating by the board of directors, and submit to the 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 to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the procedures.

5.9.2 When the company has established the position of independent director, the Operational Procedures for the Loaning of Funds shall be submitted 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.

5.9.3 If an audit committee is set up by the company in accordance with the Articles of Association, and the formulation or amendment of this regulation shall be approved by more than one-half of all members of the Audit Committee and shall provide resolutions of the Board of Directors, the provisions of 5.9.2 do not apply.



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5.9.4 If no more than one-half of the consent of the audit committee members is obtained, it may be approved by more than two-thirds of the directors and the resolutions of the audit committee should be stated at the board meeting.

5.9.5 All members of the audit committee and all the alleged directors in 5.9.3 are counted as actual incumbents.

6. References:

6.1 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

7. Related forms:

7.1 Memorandum book for fund-loaning activities.

7.2 Application form for the loaning of funds

7.3 Fund transfer order

8. Attachment:

8.1 Check content.