



## **Procedures for Making Loan to Others**

### **資金貸與他人作業程序**

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## Article 1 Purpose

The Procedures for Making Loans to Others (the “**Procedures**”) set forth below are the guidelines for the Company and its subsidiaries to follow when loaning funds to other parties. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

## Article 2 Entities to which the Company may Loan Funds

1. The Company shall not loan funds to any of its shareholders or any other person except the following:
  - (a) a company which has a business relationship with the Company; or
  - (b) a company which has short-term capital needs, provided that such financing amount shall not exceed 40 percent of the lending company’s Net Worth (defined below). The “financing amount” as used in this paragraph means the cumulative balance of the Company’s short-term financing.
2. “Short-term” means the period within one-year. In the event that the period of business cycle is longer than one year, that period shall prevail.

The restriction in subparagraph b of paragraph 1 shall not apply to inter-company loans of funds between non-Republic of China (“R.O.C.”) companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, but such inter-company loans of funds shall be subject to paragraph 4 of Article 4 and also to Article 5.

## Article 3 Evaluation Standards for Loaning Funds to Others

1. The Company shall follow paragraph 2 of Article 4 where funds are loaned for reasons of business dealings.
2. Short-term loans may only be made to the following entities:
  - (a) A company in which the Company holds more than 50 percent of the voting shares that has short-term capital needs for business operations.
  - (b) A company which has short term loan needs for material purchases or operational consolidation.
  - (c) Others as approved by the Board of Directors.

## Article 4 Restriction to Loan Amount

1. The total amount available for loans to others shall not exceed **40 percent** of the Net Worth of the Company as stated in its latest audited or reviewed financial statement (the “Net Worth”).
2. The amount loaned to a company that has a business relationship with the Company shall not exceed the monetary value of the previous year’s business dealings or **4 percent** of the Net Worth of the Company, whichever is lower. The aggregate value of loans shall not exceed **10 percent** of the Net Worth of the Company. The monetary value of business dealings refers to the value of purchase or sales transactions between the companies, whichever is higher.
3. The amount loaned to a company that has short-term financing needs shall not exceed **4 percent** of the Net Worth of the Company. The aggregate value of loans shall not exceed **40 percent** of the Net Worth of the Company. Each loan between the Company and its subsidiaries, or between subsidiaries of the Company, shall not exceed 40 percent of the Net



Worth of the Company (Please refer to clause 4 for exceptions).

4. Accumulated balance of short-term loans between non-R.O.C. companies in which the Company holds, directly or indirectly, 100 percent of the voting shares are not subject to the limit of **40 percent** of the Net Worth of the Company.
5. "Subsidiary" as used in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the R.O.C.
6. In the event that the financial statements of the Company are prepared in accordance with the International Financial Reporting Standards, the "net worth" as used in the Procedures shall be the balance sheet equity attributable to the owners of the parent company.

**Article 5 Duration of Loans and Calculation of Interest.**

1. Duration of loans shall not exceed one year. Under special circumstances, the duration may be extended in accordance with the actual conditions, provided that such extension has been approved by the Board of Directors.
2. The interest rate of loans shall not be lower than the capital cost of the Company from its short-term loans with financial institutions. The interest to be collected shall be calculated and paid once a month. Under special circumstances, the calculation and collection may be adjusted, provided that such adjustment has been approved by the Board of Directors.

**Article 6 Procedures**

1. The loan borrower shall present a written application specifying the credit line, duration, and purpose of the loan to the Company with necessary documents regarding the borrower's corporate information and its financial status.
2. The Finance Department shall carefully evaluate whether the application complies with applicable laws and relevant procedures of the Company, then submit evaluation results along with a credit report on the borrower to the Board of Directors for its approval.
3. The contents of the credit report shall include at least the following:
  - (a) The necessity and reasonableness of the loan.
  - (b) An evaluation of the reasonableness of the amount of the loan in light of the borrower's financial status.
  - (c) Whether the accumulated loan balance is still under the limit.
  - (d) The impacts on the Company's operational risks, financial status, and shareholders' equities.
  - (e) Whether collateral is required and the estimated value of such collateral.
  - (f) The borrower's credit and risk assessment record.
4. The Company may loan funds to others only after the evaluation results have been submitted to the CEO and the Chairman for their approval and further approved by the Board of Directors. The Company shall not empower any other person to make such decision.
5. Loans of funds between the Company and its subsidiaries, or between subsidiaries of the Company, shall be approved by the Board of Directors pursuant to the preceding paragraph, and the Board of Directors may authorize the Chairman to decide regarding granting a specific borrowing counterparty the right to draw down in installments or a revolving credit



line within a certain monetary amount as approved by the Board of Directors, and within a period no longer than one year.

6. Where the Company or its subsidiaries loan funds to a specific borrower, the "certain monetary limit" as used in the preceding paragraph is **10 percent** of the Net Worth of the Company. However, the "certain monetary limit" shall not apply to loans made between the Company and non-R.O.C. companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.
7. Where the Company has created Independent Director positions, when an agenda relating to loans to the other parties is submitted to the Board of Directors for discussion, the Company 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.
8. The Company shall establish a log book for its fund-lending activities and truthfully record the following information: borrower's information, loan amount, date when the loan is approved by the Board of Directors, lending/borrowing date, and other matters require careful evaluation.

#### **Article 7 Subsequent Procedures for Management of Outstanding and Expired Loans**

After the loan application is approved by the Board of Directors, the borrower shall fill in the drawdown request and furnish promissory notes of equal amount and when necessary create a pledge or mortgage to serve as security for the loan. The Board of Directors may consult with the opinions of the person in charge of the application when the borrower intends to provide individual or corporate guarantors with sufficient financial capability and credit in lieu of collateral.

1. The Finance Department shall review drawdown requests and collateral, prepare loan agreement documentations, and ensure all procedures being fully complied with prior to the authorization of drawdown.
2. After the loan is drawn down, the Finance Department shall record the transaction in a timely manner and the entry shall be reviewed by the responsible management.
3. The Finance Department shall follow and trace the financial status, business operations and credit status of the borrower and guarantor periodically. Where collateral have been collected, the Finance Department shall also trace the changes in its value, and when necessary may request that borrowers furnish financial data from time to time.
4. In case of a material change in the value of the collateral, the Chairman shall immediately be notified and proper measures shall be taken.
5. When the loan is due or the borrower repays the loan before the due date, the accrued interest should be calculated and repaid with the principal, prior to the returning of promissory notes or mortgages to the borrower or cancelling the mortgage registrations.
6. If a timely repayment could not be effected and extension of loan term is needed, a prior request is required and must be approved by the Board of Directors. Each extension shall not exceed 6 months, and shall be limited to only once. In the event that a borrower defaults on the terms of a loan, the Company should dispose of the promissory notes and collateral or for recourse loans demand payment from the guarantor pursuant to applicable laws and regulations.
7. The Finance Department shall, in accordance with the International Financial Reporting Standards (IASB version), evaluate the collectability of loans, propose an adequate bad debt



reserve, appropriately disclose relevant information in financial reports, and provide relevant data to certified accountants for implementation of necessary auditing procedures.

8. In order to strengthen the internal control of the Company, if a loan made by the Company to an entity no longer meets the requirements of the Procedures or the loan balance exceeds the limit as a result of a change in circumstances, the Company shall adopt rectification plans and submit the rectification plans to the Board of Directors (once the Company establishes the Audit Committee, the plans should be submitted to the Audit Committee instead) and shall complete the rectification according to the timeframe set out in the plans.

#### **Article 8 Internal Control**

The internal auditors of the Company shall audit the Procedures and their implementation at least quarterly and prepare written records accordingly. The internal auditors shall promptly notify the Audit Committee (if the Company has established an Audit Committee) and the Board of Directors in writing of any material violation found and shall take necessary actions.

#### **Article 9 Public Disclosure and Reporting**

1. After the public offering of the shares of the Company has taken place in the R.O.C., the Company shall announce and report the loan balances of its head office and subsidiaries in the previous month by the 10th day of each month.
2. After the public offering of the shares of the Company has taken place in the R.O.C., if the status of the loan meets any of the following criteria, the Company shall disclose and report the relevant information within two days of the occurrence of the event:
  - (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.
  - (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.
  - (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.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the R.O.C. on any matters that such subsidiary is required to announce and report pursuant to subparagraph c of the preceding paragraph.
4. The term "announce and report" as used in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission of the R.O.C.
5. The term "date of occurrence of the event" as used in this Article refers to the date of contract signing, date of payment, date of the Board of Directors' resolution, or another date that can confirm the counterparty and monetary amount of the transaction, whichever date is the earliest.

#### **Article 10 Procedures for Managing Loans of Funds to Others by Subsidiaries.**

1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct the subsidiary to formulate its own "Procedures for Loaning Funds to Others" in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies of the R.O.C., and the subsidiary shall comply with its own procedures while loaning funds.
2. The subsidiary should on a monthly basis prepare and submit a detailed report on the loan



status of the previous month's loans to the Company.

**Article 11 Sanctions for Non Compliance**

The Company's loaning of funds to others shall be done according to the Procedures, and in the case of a material breach, the managers and persons in charge shall be sanctioned in accordance with the personnel management regulations of the Company depending on the circumstances of the violation.

**Article 12 Implementation and Amendment**

1. The Procedures will come into force after approval of the Audit Committee (if the Company has established an Audit Committee) and the Board of Directors, and submission of the same to the shareholders' meeting for approval. Where any Director expresses dissent and the dissenting opinion is included in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.
2. Where the Company has Independent Director, when submitting the Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinion; the 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.