

Management of Loans to Others

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| 7 | | | |
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| 9 | | | |
| 10 | | | |

Management of Loans to Others

- Article 1 (The purpose of implementation of the rules and regulations)
Due to the business nature, when loan to other entity is required, shall adhere to these rules, except otherwise stated, all other matter shall be conducted by applicable laws and regulations.
- Article 2 (Entities to which the company may loan funds)
- I. This Corporation shall not loan funds to any of its shareholders or any other person except under the following circumstances:
 - (I) Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
 - (II) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.
 - II. The term "short-term" as used in the preceding paragraph is referred to one year, or the Company's business cycle, whichever is longer.
 - III. The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of this Corporation's short-term financing.
 - IV. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between foreign companies in which this Corporation holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 4 and 5 concerning the setting of the amount limits and the durations of loans shall still apply.
 - V. Except Article 7, 10, the local laws and subsidiaries regarding loaning of funds have provided otherwise, the regulation shall comply with all subsidiaries of the Corporation.
- Article 3 (Evaluation standards for loaning funds to others)
- I. A company with which it does business and engage in loaning, shall follow the provisions of Article 4
 - II. Necessary short-term financing refer below circumstance:
 - (I) A company in which this Corporation holds more than 50% of shares, and demand for short-term financing due to business needs.
 - (II) A company or a firm that is in demand for short-term financing due to working capital needed.
- Article 4 (The aggregate amount of loans and the maximum amount permitted to a single borrower)

- I. The total amount of loan for this Corporation shall not exceed 40% of net worth of this Corporation and the total amount of loan for this Corporation and its subsidiaries combined shall not exceed 40% of net worth of this Corporation.
- II. The total amount of loan for a company or firm with which it does business shall not exceed 20% of net worth of this Corporation; per individual loans, the amount of loan shall not exceed the amount of the business transaction within the recent year. The business transaction mentioned is referred to purchases or sales amount between the two companies, of which the amount is higher, but is limited not to exceed 10% of net worth of this Corporation.
- III. The total amount of short-term financing for a company or firm with which it does business shall not exceed 20% of net worth of this Corporation; individual loan shall not exceed 10% of net worth of this Corporation.
- IV. The total amount of loan for foreign company which this Corporation directly or indirectly holds 100% of the voting share shall not exceed 50% of net worth of this Corporation, and individual loan shall not exceed 20% of net worth of this Corporation.

"Subsidiaries" 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 of the Republic of China.

The term of "net worth" mentioned in the previous paragraph, it is referred to latest financial report examined by certified public accountant, where this Corporation'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.

Article 5 (Duration of loans and calculation of interest)

- I. Duration per each loan shall not exceed one year as principal; when extension does occur, remaining payment of the original loan amount shall be disbursed before the Treasury Management Div. reporting to the board of directors for further approval.
- II. Loan interest rate shall not be less than the maximum interest rate of the short-term loan provided by financial institution. The loan interest shall pay once a month as principal, in the case of exceptional circumstance, upon approval from the board of directors, the Treasury Management Div. should make an adjustment in accordance with the actual situation.
- III. When the subsidiary is fully owned by this Corporation or is directly or indirectly holding 100% of its shares, non-interest bearing is applicable when engaging in loan.

Article 6 (Procedures for handling loans of funds)

- I. When subject to application of loans, the Treasury Management Div. shall apply for a "Proposal" and "Loan Acquisition Form" contained amount of loans, entity involved, duration of the loan, credit and risk assessment of the

entity etc.

II. Credit and Risk Assessment:

Before submission of a loan application the borrower should first provide company and financial information to the Company in writing.

After accepting the application, the Treasury Management Div. shall evaluate the borrower's financial condition, debt paying ability and credit, profitability and purpose of loan. The Treasury Management Div. shall conduct a detailed assessment on the borrower and compile a credit report. The assessment shall contain the follow matters:

- (I) The necessity of and reasonableness of extending loans to others.
- (II) Take borrower's financial condition to determine the loan amount.
- (III) Whether the accumulative loan amount within the limits.
- (IV) Whether the loan period and interest rate calculation are reasonable.
- (V) Impact on this Corporation's business operations, financial condition, and shareholders' equity.
- (VI) Whether collateral must be obtained and appraisal of the value thereof.
- (VII) Enclosed borrower's credit status and risk assessment record.

III. Preservation:

When engaging in a loan, the Corporation should obtain a same amount of secured promissory notes, when its necessary, the Corporation shall conduct a mortgage settlement for the personal property or real estate as well as collateral value evaluation. When signing a contract, the borrower's company and representative seal should be registered under a relevant authority. Any security obligations mentioned in the preceding sentence, where the borrower provided a considerable financial and credit viability of either an individual or company as a guarantee, in lieu of providing collateral, the board of director shall take the credit report provided by the Treasury Management Div. into account; whereas using a company as guarantor, should be cautious whether or not if the terms of guaranteed has stated in the article of association.

IV. Hierarchy of delegation thereof:

Before making a loan of funds to others, the Treasury Management Div. should evaluate the credit status, report to the authority and obtain an approval from the board of directors, no other authorization is permitted.

Loans of funds between this Corporation 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 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 "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with paragraph 4, Article 2. In addition, the authorized limit on loans extended by this Corporation or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company.

V. When the Corporation 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.

Article 7 (Timeframe and contents for announcement and reporting)

- I. After the Company goes public, the Investor Relations Div. shall announce and report the balance of funds loaned to others by the tenth day of each month for the Company and its subsidiaries.
- II. After the Company goes public, where the balance of funds loaned to others reaches one of the following criteria, the Company shall announce and report the relevant information within two days counting inclusively from the date of occurrence of the event:
 - (I) The balance of funds of the Company or its subsidiaries loaned to others reaches 20% or more of the net value of the Company's most recent financial statements.
 - (II) The balance of funds of the Company or its subsidiaries loaned to a single enterprise reaches 10% or more of the net value of the Company's most recent financial statements.
 - (III) The amount of new loans to others by the Company or its subsidiaries reaches NT\$10 million or more and reaches 20% or more of the net value of the Company's most recent financial statements.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph. "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 loan of funds, whichever date is earlier.

Article 8 (Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights)

- I. The Treasury Management Div. shall prepare a "Fund Loaning Memorandum Book" 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 these Regulations.
- II. Once the loan has been distributed, the Treasury Management Div. shall keep in content with borrower and guarantor's financial, operating and credit condition, in the case where collateral is provided, continues tracking the value of the collateral is necessary, when major change occurred, should immediately notify the chairman for further instruction.
- III. When the borrower repays the loan prior to the maturity or expiration date, total interest along with the principle of the loan should be calculated and clear off by the Treasury Management Div. cooperating with the Accounting Div. before cancellation on the promissory note or mortgage.
- IV. Upon reaching to the maturity date of the loan, the borrower should immediately pay off the principle and its interest, the Treasury Management Div. shall take initiative to follow up on the status of the loan.
- V. If the borrower fails to repay the loan by the maturity date and is seek for an extension, subject to the prior request shall obtained an approval from the board of directors, each extension period should not be more than three

months, and such request is limited to two times only. This Corporation has the right to take disciplinary action against the borrower's collateral or guarantor and pursue compensate for the loss when the borrower violent the rules state in this Article. When uncollectible debt occurred, this Corporation should cooperate with Legal Div. to take course of legal action against the borrower.

- VI. The Accounting Div. 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.
- VII. If, as a result of a change in circumstances, an entity for which an endorsements/guarantees is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Treasury Management Div. shall adopt rectification plans and submit the rectification plans to the audit committee and independent directors, and shall complete the rectification according to the timeframe set out in the plan.
- VIII. This Corporation'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 and independent directors in writing of any material violation found.

Article 9 (Penalty Provision)

When the Corporation's manager and in charge personnel violate any rules and regulations, the record will be reflected to its annual personal performance and punishment will be granted upon the seriousness of the violation by Human Resource Div.

Article 10 (Procedures for controlling and managing loans of funds to others by subsidiaries)

I. Sources for application of loan by subsidiaries

Where a subsidiary wishes to loan funds to others, unless otherwise provided by local laws or regulations of such subsidiary, the Company shall formulate procedures for the loaning of funds to others in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and these Regulations.

Loaning funds to others shall be conducted under the procedures formulated.

II. Public announcement deadline and content

(I) When the subsidiaries are not a public company, any loan shall in accordance with the actual occurrence of the event report to this Corporation. The Investor Relations Div. can decide whether to make the announcement on behalf of the subsidiaries.

(II) When the subsidiaries are not a public company, any remaining loan balance from previous month shall report to this Corporation before the

5th of next month. The Investor Relations Div. will make the announcement on behalf of the subsidiaries.

- III. The remaining balance of the loan made by the subsidiaries is calculated based on the ratio of loan amount to the net worth of this Corporation.
- IV. The Treasury Management Div. shall regularly evaluate whether the subsequent control measures and procedures of the subsidiaries for handling overdue debts are appropriate.

Article 11 (Implementation and Amendment)

Regulations shall be approved by all members of the Audit Committee, and submitted to the Board of Directors meeting for resolution, and are implemented after 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 for discussion by the shareholders meeting. If approval of one-half or more of all Audit Committee members is not obtained, these Regulations 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 same shall apply to any amendments to these Regulations.

These Regulations were established on 2023/9/22.

Article 12 (Control Focus)

- I. The Treasury Management Div. shall conduct a credit check on the company to which the Company intends to loan funds. The loaning of funds may be provided after approval by the authority and resolution adopted by the Board of Directors.
- II. The Treasury Management Div. shall prepare a "Fund Loaning Memorandum Book" and truthfully record the borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated in accordance with these procedures.
- III. When a subsidiary intends to loan a fund to others, the Company shall request the subsidiary to establish procedures for loaning of funds to others in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and these procedures.
- IV. The Treasury Management Div. shall regularly evaluate whether the subsequent control measures and procedures of the subsidiaries for handling overdue debts are appropriate.
- V. The Investor Relations Div. shall announce and report the funds loaned to others of the Company and its subsidiaries for the previous month as well as other matters that require announcement and reporting.

Article 13 (Information Basis)

- I. Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies
- II. Regulations Governing the Preparation of Financial Reports by Securities Issuers
- III. Securities and Exchange Act

Article 14 (Forms Used)

- I. Fund Loaning Memorandum Book
- II. Proposal
- III. Loan Acquisition Form