

KWONG LUNG ENTERPRISE CO.,LTD.

Procedures for Lending Funds to Other Parties

Article 1 Purpose

Matters regarding lending funds to other parties shall be executed according to the requirements under the Procedures. Matters unillustrated in the Procedures shall be subject to the requirements under relevant laws and regulations.

Article 2 Scope

Unless otherwise under any of the following circumstances, the capital of a company shall not be lent to any Shareholder or any other parties:

1. Where an inter-company or inter-firm business transaction calls for such lending arrangement.
2. Where an inter-company or inter-firm short-term financing facility is necessary provided that the amount of such financing facility shall not exceed 40% of the net value of the lending enterprise.

Short-term mentioned in the previous paragraph refers to one year. However, where the operating cycle of the Company is more than one year, short-term shall be subject to the operating cycle.

The amount of such financing facility mentioned in the 2nd subparagraph of 1st paragraph refers to the accumulated balances of the short-term financing fund of the Company

Fund lending between overseas companies that the Company directly and indirectly holds shares with 100% voting rights or fund lending between overseas companies that the Company directly and indirectly holds shares with 100% voting rights and the Company shall not be subject to the restriction under 2nd subparagraph of the first paragraph. However, it shall comply with the requirements under 4th paragraph and 5th paragraph of Article 3 and 1st paragraph of Article 4 in the Procedures.

Article 2-1 The term used in the Procedures are defined as follow:

1. Subsidiaries and the parent company: As defined in the requirements under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. Net value: Refers to the interests attributable to the owner of the parent company on the balance sheet required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. Date of occurrence of the event: Refers to the date of contract signing, date of payment, date of board's resolutions, or other dates sufficient to prove the target and amount as the abovementioned.

Article 3 The total amount of fund lending and limits for individual targets

1. The total amount of fund lending to others by the Company shall be limited to 40% net value of the Company.

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2. When lending fund of the Company to companies or firms with business dealings with the Company, illustrate the reason and necessity of such fund lending, and the lending amount shall not exceed the amount of business dealings with such companies or firms for one year.
3. When lending fund of the Company to companies or firms where short-term financing facility is necessary, list the reason and circumstances for such fund lending, and the limit for individual target shall be limited to 40% net value of the Company.
4. The total amount of fund lending between overseas companies that the Company directly and indirectly holds shares with 100% voting rights shall be limited to 20% net value of the Company, and the limit for individual target shall be limited to 10% net value of the Company.
5. The total amount of fund lending to the Company by others by overseas companies that the Company directly and indirectly holds shares with 100% voting rights shall be limited to 20% net value of the Company, and the limit for individual target shall be limited to 10% net value of the Company.

Article 4 Term for fund lending, interest calculation method, and procedures for overdue creditor's right

1. Term for fund lending: Fund lending of the Company is generally short-term financing facility, and the most extended term shall not exceed one year.
2. Interest calculation: At floating rates from 0.25% to 1% on the capital cost of the Company; interests may be settled on a monthly basis or collect in advance in a lump sum.
3. Except for interest calculation and control for the lending fund according to requirements, the Finance Department shall call for collection or adopt necessary legal procedures according to the laws immediately when there is the overdue outstanding amount.

Article 5 Procedures

1. Regarding facility provided to affiliated companies, a facility request (or official letter) shall be provided; the competent business department shall review the necessity, assess the usage, objective, and efficiency, sign the opinion whether to lend or not, and meet with the Finance Department to map out the interest rate and term. After the approvals from the Chief Executive Officer and the Chairman, the implementation shall be subject to the resolution of the Board meeting.
2. Regarding facility provided to non-affiliated companies, a credit investigation on the lending target shall be carried out and shall conduct risks assessment

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regarding effects of the fund lending on the operating risk, financial conditions, and Shareholders' interests of the Company. Guarantee notes with an equivalent amount, or proper personal estates or real estates pledge shall be required before processing according to the previous paragraph.

3. When the Company intends to lend fund to other parties, such lending shall be subject to the passing of the resolution at the Board meeting.
4. The fund lending between the Company and the subsidiaries or between the subsidiaries shall be subject to the passing of the resolution at the Board meeting. The Chairman shall be authorized to drawdown such loans on installment or revolving credits within one year regarding the fixed amount resolved by the Board to the same lending target.

The fixed amount mentioned in the previous paragraph refers to the authorized amount for the fund lending provided by the Company or the subsidiaries to a single enterprise, which shall not exceed 10% of the latest net value of the financial statement of the Company.

5. The Finance Department shall establish the memorandum book and record the target of lending, lending amount and date, date of passing by the Board, and matters shall be recorded in detail for registration and further references.
6. The Accounting Department shall assess the circumstances of the fund lending and provide sufficient allowance for bad debt, and provide appropriate disclosure regarding the information on such fund lending in the financial report, and provide relevant information to the CPA for the execution of necessary audit procedures.
7. Where changes of circumstances resulting in the lending target become incompliance with the requirements of the Procedures or exceeding the limit, the Company shall establish the improvement plan, deliver such improvement plan to the Supervisors and Independent Directors, and complete the improvement according to the planned schedule.

Article 6 Public disclosure

1. The Finance Department shall submit the fund lending balances of the Company and the subsidiaries for the previous month to the Accounting Department of the parent company by the 5th of each month for the input in relation to the public disclosure on the website designated by the competent authority on the 10th of each month.
2. Where the fund lending complies with any of the following, the Finance Department shall carry out public disclosure within two days from the date of occurrence of the event:

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- (1) Where the balances of fund lending to others by the Company and its subsidiaries amounting to over 20% of the latest net value of the financial statement of the Company.
- (2) Where the balances of fund lending to a single enterprise by the Company and its subsidiaries amounting to over 10% of the latest net value of the financial statement of the Company.
- (3) Where the new balances of fund lending to others by Company and its subsidiaries amounting to over NT\$10 million and exceeding over 2% of the latest net value of the financial statement of the Company.

Article 7 Control on fund lending to other parties by subsidiaries

1. Where the subsidiary of the Company intends to lend fund to other parties, it shall establish the procedures governing the fund lending to other parties according to the Procedures, and the implementation shall be subject to the resolution of the Board, and such implementation shall be in compliance with the stated governing procedures.
2. The Finance Department shall compile the reporting information of fund lending amount, target, terms of the subsidiaries and report to the Accounting Department of the parent company by the 5th of each month for the public disclosure.
3. Where subsidiaries have matters to be publicly disclosed according to 2nd paragraph of Article 6, it shall submit the disclosure information to the Finance Department of the Company within two days from the date of occurrence of the event for the public disclosure.

Article 8 Punishment

When carrying out matters in relation to fund lending, the relevant personnel shall comply with the requirements under the Procedures to avoid losses of the Company arising from improper operations. For circumstances involving violations of relevant laws and regulations or the Procedures, the punishment shall be subject to the requirements under the relevant personnel affair regulations of the Company.

Article 9 Internal audit personnel shall at least carry out an audit on the operating procedures for fund lending to other parties and its execution on a quarterly basis and prepared written records. Shall there be significant violations, such personnel shall notify the Supervisors and Independent Directors in writing.

Article 10 After receiving the approval from the Board, the Procedures have been submitted to the supervisors and proposed to the Shareholders' meeting for approval, shall there be objections from the Directors with records or written declarations, such objections shall also be submitted to the supervisors and Shareholders' meeting for

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discussion, with amendments thereto.

Article 11 Where the discussion carried out at the Board meetings according to the requirements under Article 10 of the Procedures shall give sufficient considerations to the opinions of independent directors; shall there be independent directors holding opposing opinions or qualified opinions, specify in the meeting minutes of the Board.

Article 12 1st amendment on 27 June 2000
2nd amendment on 25 February 2002
3rd amendment on 27 March 2003
4th amendment on 19 June 2009
5th amendment on 11 June 2010
6th amendment on 20 June 2013
7th amendment on 17 June 2014
8th amendment on 30 May 2019