

## Taiwan Mask Corporation

### Regulations Governing Loaning of Funds

- Article 1 Scope:  
The company shall comply with this regulation when loaning funds to others.
- Article 2 Counter parties:  
The company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
  2. Where an inter-company or inter-firm short-term financing facility is necessary. The term "short-term" means one year, or where the company's operating cycle exceeds one year, one operating cycle (which one is longer).
- Article 3 Reasons and necessities:
1. Where an inter-company or inter-firm business transaction calls for a loan arrangement: loan for operation reasons.
  2. Where an inter-company or inter-firm short-term financing facility is necessary, limitations are:
    - A. The company holds more than 50% of the shares of an inter-company which is seeking for loan from the company.
    - B. Other companies seeking for loan from the company for the reasons like purchasing materials or operation needs.
- Article 4 Total loan limitation and limitation of the loan to one specific company:
1. Total loan limitation: shall not exceed 40 percent of the lender's net worth.
  2. Limitation of the loan to one specific company:
    - A. An inter-company or inter-firm business transaction: shall not exceed the total amount of the business transactions between the companies in latest year, and also not to exceed 40% of the lender's net worth. The total amount of the business transactions between the companies is decided by the purchasing amount or sales amount between both companies whichever is higher.
    - B. Other companies seeking for loan from the company: shall not exceed 40% of the lender's net worth.
  3. Loans between foreign companies in which the company directly and indirectly holds more than 100 percent of the voting shares shall not be limited by above regulations. Or, foreign companies in which the company directly and indirectly holds more than 100 percent of the voting shares loans to the company shall not be limited by above regulations. But the total loan amount and the loan to one specific company shall not exceed 50% of the company's net worth.

Article 5

Loaning procedures:

1. The borrower shall provide necessary financial and guarantee documents to the company for loan. The borrower shall meet the requirements stated in Article 2 and Article 3.
2. Finance department shall review the financial status of the borrower and analyze the risk, financial impact and stockholder's equity impact of this loan, then submit the report to board of directors' meeting for resolution. Where the company has established the position of independent director, 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.
3. When the amount of loan is set, the borrower shall file an application form for the lending of the loan. And the company may request a same amount note or other collateral as the guarantee.
4. The loan to subsidiaries or the loan between subsidiaries shall be submitted into board of directors' meeting for resolution. And the board of directors' meeting can authorize the chairman to make decision for an authorized amount be lent partially and within one year. Loans between foreign companies in which the company directly and indirectly holds more than 100 percent of the voting shares shall not be limited by above regulations. Besides this, the authorized amount to the chairman of the loan to one specific company shall not exceed 10% of the lender's net worth.

Article 6

Loan period:

The period of loan shall not exceed one year. When there is a need for over one year of the loan for an inter-company or inter-firm business transaction, the case shall be submitted into board of directors' meeting for resolution.

Article 7

Interest calculation:

1. The interest rate shall be using the rate published by Taiwan Bank on January 1<sup>st</sup>, every year. When there is a need to modify the rate, finance department shall submit the request to board of directors' meeting for resolution.
2. The interest stated above shall be calculated once a month.

Article 8

Controlling procedures for the loan, procedures for expiring loan:

1. Finance department shall monitor the financial status, business operation and credit limit of the borrower and the guarantee. Where there is collateral, finance department shall watch the variation of the collateral value. When there is fluctuation, finance department shall report to the chairman for appropriate measure. Finance department shall evaluate the whole process of loan periodically and make necessary provision for the bad debts. Related information shall be disclosed in the financial reports and be provided to the CPA for auditing procedures.

2. When the loan is due or is paid back, the interest shall be calculated and paid alone with the loan, the collateral shall then be dismissed.
3. When the loan is due, the loan and the interest shall be paid at that time. When a loan is derivative from an inter-company or inter-firm business transaction to be prolong after due day, the request shall be made in advance and submitted to the board of directors' meeting for resolution. The prolong period shall not exceed 6 months and can only be prolong for once, any violation of the regulation the company shall sell out the collateral or file law suit against the borrower.
4. When making loan to other company, finance department shall prepare a memorandum book to record the counter party, amount, the date when the board of directors' meeting is resolved, the date of the loan is made and other evaluation materials.
5. When the net worth of the company changed and the loan exceed the limitation accordingly, finance department shall make an improvement plan to the chairman for approval. And the plan shall be submitted to the auditing committee, finance department shall reduce the loan amount in a certain of period accordingly.
6. The internal auditor shall audit the loan status and procedures quarterly, make documentation. If any major violation is found, written documentation shall be sent into audit committee.

Article 9 Procedures for announcements and reports:

1. Finance department shall follow Article 21 and 22 of regulations governing loaning of funds and making of endorsements/guarantees by public companies to make announcements and reports for the loan status.
2. Subsidiaries of the company shall report the loan amount, counter party and loan period to the company by the 5th day of each month. When Article 9 is met, an immediately notice shall be made to the company to do announcements and reports.

Article 10 The revision of this regulation shall be approved by 1/2 members of the auditing committee and then approved by the board of directors' meeting, and submit it into the shareholders' meeting for resolution. If the revision is not approved by 1/2 members of the auditing committee, then 2/3 of directors' approval in the board meeting is also acceptable. When this is the case, the resolution of the auditing committee shall be recorded in the meeting minutes of board meeting. The members in auditing committee and the directors in board meeting are counted as the one is officially on his/her duty.

Article 11 Subsidiaries of the company shall follow the procedures stated above to make loans to others, and also follow the authorization matrix of that subsidiary.

Article 12 When the management or employees violate this regulation, considerable penalties shall be applied and be reflected into annual performance appraisal.



Article 13 As mentioned above in Article 8-6, when there is a need to notify independent directors, it shall be in written format. When situation changed, the original borrowing party can no longer meet the requirement stated in this regulation or exceed the amount limit, the borrowing party shall prepare an improvement plan and submit it to independent directors. The borrowing party shall also make improvements according to the improvement plan.

Revisions:

First version on 1991/1/16; second revision on 2002/2/26; third revision on 2003/6/3; fourth revision on 2009/6/10; fifth revision on 2010/6/18; sixth revision on 2011/6/22; seventh revision on 2017/6/23; eighth revision on 2019/6/11.