

Procedures for Lending Funds to Other Parties
of
Taiflex Scientific Co., Ltd.
("Company")

Article 1: Purpose

The Company shall follow the Procedures for lending funds to other companies (hereinafter referred to as the “Borrowers”) due to business needs. Any other matters not set forth in the Procedures shall be dealt with in accordance with applicable laws, rules, and regulations.

Article 2: The party to whom the Company may lend its funds

According to the provisions of the Company Act, the Company is not allowed to lend its funds to the shareholders or any other parties with the exception of the following conditions:

- (1) Companies or firms having business relationship with the Company.
- (2) Companies or firms requiring short-term financing from the Company. The lending amount shall not exceed 40 percent of the Company’s net worth. The aforementioned “short-term” means one year or a business operating cycle, whichever is longer, as interpreted in the letter of the Ministry of Economic Affairs.

The lending amount referred to in the Subparagraph (2) of Paragraph 1 is the accumulated balance of short-term financing funds of the Company.

The provision of Subparagraph (2) of Paragraph 1 is not applicable to financing between offshore companies whose voting shares are 100 percent held, directly or indirectly, by the Company. However, the amount limits and durations of lending shall be stipulated in the internal operating procedures pursuant to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” issued by Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.

Article 3: Reason and necessity for financing other parties

- (1) The financings between the Company and other companies or firms due to business relationship shall be in conformity with Paragraph 2 of Article 4. The aforementioned “business relationship” refers to parties with purchase or sales transactions with the Company.
- (2) Lending for short-term financing purpose is limited to any one of the following circumstances:
 - (i) The company, whose shares are 20 percent or more held by the Company, requires short-term financing due to business needs.

(ii) Other Borrowers approved by the Board of Directors of the Company.

Article 4: Total lending amount and credit limit of individual party

- (1) Total lending amount of the Company shall not exceed 40 percent of the Company's net worth.
- (2) Total lending amount to firms or companies having business relationship with the Company shall not exceed 20 percent of the Company's net worth. The lending amount to a single firm or company having business relationship with the Company is limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher, and shall not exceed 10 percent of the Company's net worth. Notwithstanding the foregoing, the lending amount to a single enterprise, whose voting shares are 100% held, directly or indirectly, by the Company, shall not exceed 20% of the Company's net worth.
- (3) Total lending amount to firms or companies requiring short-term financing shall not exceed 40 percent of the Company's net worth. The lending amount to a single enterprise requiring short-term financing shall not exceed 20 percent of the Company's net worth.

The term "net worth" means the equity attributable to the owner of parent company in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5: Operating and review procedures for financing others

- (1) Application procedures
 - (i) The Borrower shall provide basic information and financial data, together with a description of the purpose, duration and amount of the loan, and apply for credit from the Financial Department of the Company in writing.
 - (ii) Where financing is provided due to business relationship, the reviewer in the Financial Department of the Company shall evaluate if the lending amount is commensurate to the transaction amount. Where short-term financing is required, the reasons and circumstances for financing shall be listed and credit investigation shall be conducted. Relevant information and lending conditions shall be presented to the Director of the Financial Department and General Manager before submitted to the Board of Directors for a resolution. The authorization for approval cannot be delegated to other persons.
 - (iii) Financing between the Company and offshore company whose voting shares are 100 percent held, directly or indirectly, by the Company or

between offshore companies whose voting shares are 100 percent held, directly or indirectly, by the Company, shall be submitted to the board of directors of the lending company for a resolution in accordance with Subparagraph (ii) of Paragraph 1 of this Article. Chairperson of the lending company may be authorized to finance a specific borrowing party, within a certain monetary amount resolved by the board and within a period not exceeding one year to provide loans in installments or to make a revolving credit line available for the Borrower to draw down. In addition, the financing status shall be approved by the latest board of directors' meeting.

- (iv) "Certain monetary amount" mentioned in Subparagraph (iii) of Paragraph 1 of this Article shall be in conformity with Paragraph 3 of Article 2. In addition, the authorized lending amount to an individual enterprise by the Company or offshore company whose voting shares are 100 percent held, directly or indirectly, by the Company, shall not exceed 10 percent of the lending company's net worth, as stated on its latest financial statements.
- (v) When the Company finances other parties, the opinions of each independent director shall be taken into full consideration. The definite opinions of each independent director on whether to approve the loan and the reasons for disapproval shall be recorded in the meeting minutes of the Board of Directors.
- (vi) "Subsidiary" referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Credit investigations

- (i) First-time Borrowers shall provide basic information and financial data to facilitate the credit investigation.
- (ii) For non first-time Borrowers, credit investigations shall be conducted when they file for loan extensions. In significant or urgent cases, credit investigations can be conducted on demand depending on the circumstances.
- (iii) Provided that the Borrower is in good financial condition and the certified public accountant has audited the Borrower's annual financial statements, the investigation report of less than one year can be used together with the certified public accountant's audited report with the same period as the investigation report as reference materials for lending.

- (iv) The Company shall assess the impact of fund lending on the operating risk, financial condition and shareholders' equity of the Company when conducting credit investigation on Borrowers.
- (3) Loan approval and notification
 - (i) If the Board of Directors approves the loan after credit investigation and assessment, the Company's person-in-charge shall soon notify the Borrower in a letter detailing the loan terms, including the credit limit, duration, interest rate, collateral and guarantors, and request the Borrower to sign the loan agreement within the prescribed period. If the Board of Directors disapproves the loan, the Company's person-in-charge shall promptly inform Borrower the reason of the rejection.
- (4) Contract signing and identity verification
 - (i) The loan agreement will be signed after the provisions drawn by the Company's person-in-charge are reviewed by supervisors and verified by legal advisers.
 - (ii) The provisions of the loan agreement shall conform to the approved loan terms and conditions. After the Borrower and joint guarantor affix their signatures and seals to the agreement, the Company's person-in-charge shall complete the verification procedures.
- (5) Collateral assessment and pledge creation

Regardless of the loan amount, secured promissory note of equivalent value shall be obtained. The Borrower shall provide collaterals and complete the pledging procedures if necessary. In addition, the Company shall assess the value of the collateral to ensure its rights. Instead of providing collaterals, if the Borrower has individuals or companies of equivalent financial ability and credit to guarantee Borrower's loan, the Board of Directors may resolve to use the credit report from the Financial Department as reference. In case that a company guarantees Borrower's loan, the articles of incorporation of the company shall be reviewed to see if provisions thereunder allows such guarantee to be provided. However, the aforementioned limitation does not apply to financing between companies, whose voting shares are 100% held, directly or indirectly, by the Company.
- (6) Insurance
 - (i) All collaterals, except for land and securities, shall be covered by fire insurance and relevant insurances. In principle, the insured amount shall not be lower than the value of the pledged collateral. The Company shall be named as the beneficiary in the insurance policy.

The name, quantity, location, insurance terms and insurance endorsement of the objects specified in the insurance policy shall be consistent with the loan terms and conditions approved by the Company.

(ii) The Company's person-in-charge shall notify the Borrower to renew the insurance before it expires.

(7) Appropriation

The fund shall be appropriated after the loan terms are approved, loan agreement signed and pledge registration completed by the Borrower, and all procedures have been verified without any mistake.

Article 6: Lending duration and interest calculation

- (1) The lending duration shall be less than one year in principle. For companies with operating cycle longer than one year, the duration would be based on the cycle.
- (2) The interest rate of financing shall not be lower than the highest interest rate of the Company's short-term borrowings from the financial institutions. Borrowers shall pay the interests arising from financing on a quarterly basis. Under special circumstances, payment schedule can be adjusted accordingly upon approval of the Board of Directors.

Article 7: Subsequent control on loan amount and procedures for overdue credit

- (1) Following loan appropriation, the Company shall frequently evaluate the financial, operating and related credit conditions of the Borrower and its guarantor. If collateral is provided, the Company shall be aware of the fluctuations in collateral's value. In case of significant changes, the Company shall notify the Chairperson immediately and take actions according to instructions of the Chairperson.
- (2) Interest should be calculated when the Borrower repays the loan upon or before its due date. Once the principal and interest of the loan are repaid, the Company shall cancel and return the promissory note to the Borrower or cancel the pledge.
- (3) The Borrower shall immediately repay the principal and interest when the loan is due. If the Borrower fails to repay the loan and requires an extension, the request for extension shall be submitted beforehand and approved by the Board of Directors. The extension on each loan shall be less than three months and one-time only. The lending duration of such a loan, including the extension, shall be less than one year or one operating cycle as defined in Paragraph (1) of Article 6. In case of violation, the Company shall be entitled to impose penalties and take legal actions to recover the loan from

the collateral provided or from the guarantor.

Article 8: Procedures for public announcement and filing

- (1) The Company shall input previous month's balance of lending of the Company and its subsidiaries in Market Observation Post System by the tenth day of every month.
- (2) If the fund lending meets one of the following criteria, the Company shall input the balance of lending in Market Observation Post System within two days from the date of occurrence (the date of occurrence being the first day):
 - (i) The Company and its subsidiaries' balance of lending exceeds 20 percent of the Company's net worth, as disclosed by the Company's latest financial statements.
 - (ii) The Company and its subsidiaries' balance of lending to a single enterprise exceeds 10 percent of the Company's net worth, as disclosed by the Company's latest financial statements.
 - (iii) The amount of incremental lending by the Company or its subsidiaries exceeds NT\$10,000,000 and 2 percent of the Company's net worth, as disclosed by the Company's latest financial statements.

The date of occurrence specified in the Procedures refers to the contracting date, payment date, resolution date of the Board of Directors or other dates on which the transaction party and amount can be ascertained, whichever is earlier.

- (3) Provided that the subsidiaries of the Company are not publicly listed companies in the domestic market, the Company shall announce and file the matters specified in the Subparagraph (iii) of the preceding paragraph on behalf of subsidiaries.
- (4) The Company shall assess the financing status, recognize appropriate allowance for bad debts, properly disclose relevant information in the financial reports and provide related data for the certified public accountants to execute the necessary audit procedures.

Article 9: Case registration and safekeeping

- (1) The Company shall establish a memorandum book containing the financing party, amount, date of resolution of the Board of Directors, date of fund appropriation, and matters to be carefully assessed in accordance with the Procedures.
- (2) Following loan appropriation, the Company's person-in-charge of the loan shall organize and put the debt certificates, such as deed and promissory note, collateral supporting document, insurance policy and correspondences

into a bag for safekeeping. The contents and Borrower's name should be indicated on the bag. After being inspected by the supervisor of Financial Department, the bag shall be sealed, and the safekeeping log shall be signed or affixed by both parties.

Article 10: Guidelines for financing other parties:

- (1) The Company shall carefully assess if the fund lending complies with the Procedures and submit the assessment to the Board of Directors for resolution before financing other parties. The authorization for approval cannot be delegated to other persons.
- (2) The internal auditor of the Company shall at least quarterly audit the procedures for financing other parties and execution status and prepare written record accordingly. If material violation is found, the Company should submit relevant improvement plan to the audit committee. Improvement should be executed by schedule and reported to the Board of Directors upon completion.
- (3) When change of circumstances results in Borrower's failure to meet the criteria of the Procedures or lending balance exceeds the limit, the audit department of the Company shall urge the Financial Department to set a deadline to recover the exceeding amount and send the improvement plan to the audit committee.
- (4) The Company's person-in-charge shall prepare the details of fund lending of previous month by the fifth day of every month and submit it for review level-by-level.

Article 11: Control procedures for financing other parties by subsidiaries

- (1) The Company shall request the company, in which the Company directly or indirectly owns 100 percent of its voting shares, to set its Procedures for Lending Funds to Other Parties when planning to lend funds to others. The procedures shall be implemented after being passed by resolution of its Board Meeting and/or Shareholders' Meeting.
- (2) A company, in which the Company directly or indirectly owns 100 percent of its voting shares, shall prepare credit reports and comments, stipulate lending terms, and obtain approvals from its Board when planning to lend funds to others.
- (3) A company, in which the Company directly or indirectly owns 100 percent of its voting shares, shall provide related documents periodically to the Company for audit purpose when lending funds to others.

Article 12: Penalty

The managers and persons-in-charge who violate the Procedures shall be

penalized based on the severity of violation in accordance with the Rules of Rewards and Punishments for the Company's employees.

Article 13: Implementation and amendment

The Procedures shall be approved by the majority of all audit committee members, submitted to the Board of Directors for resolutions and adopted at the shareholders' meeting. It may come into force upon the consent of two-thirds of the total number of directors if the majority of audit committee members does not approve, without being subject to the restrictions in the preceding paragraph. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board Meeting. If any director expresses objection on the record or in writing, the Company shall submit the objection to the audit committee and propose it at the shareholders' meeting for discussion. The same applies to any amendment made to the Procedures.

If the Company has independent directors, their opinions shall be fully considered while submitting the Procedures to the Board of Directors for discussion in accordance with the aforesaid regulations. The definite opinions on whether to approve the Procedures and the reasons for disapproval shall be recorded in the minutes of the Board of Directors.

Article 14: The Procedures come into force after adoption by the shareholders' meeting on April 15, 2000.

The first amendment was made on June 21, 2002.

The second amendment was made on March 7, 2003.

The third amendment was made on June 16, 2009.

The fourth amendment was made on June 18, 2010.

The fifth amendment was made on June 13, 2012.

The sixth amendment was made on June 17, 2013.

The seventh amendment was made on June 24, 2014.

The eighth amendment was made on May 27, 2016.

The ninth amendment was made on May 26, 2017.

Attachment:

Attachment 1: Fund lending memorandum book