

Shinkong Synthetic Fibers Corporation

Procedures for Lending of Funds to Others

(Amended at the Shareholders' Meeting in 2019)

Article 1

When the Company lends funds to others, all lending operations shall be handled in accordance with these Procedures. Any matters not provided herein shall be handled in accordance with relevant laws and regulations.

Article 2

The counterparties to whom the Company may lend funds shall be limited to companies or sole proprietorships that have business dealings with the Company or have a short-term need for funds. The term "short-term" refers to a period of one year or one operating cycle, whichever is longer.

Lending of funds due to short-term financing needs shall be limited to the following circumstances:

1. Business dealings between companies or sole proprietorships.
2. Short-term financing needs between companies or sole proprietorships.

Article 3

Where the Company lends funds to companies or sole proprietorships with business dealings, the aggregate lending amount shall not exceed 20% of the Company's net worth, and the amount of each individual loan shall not exceed the higher of the purchase or sales amount between the parties.

Where the Company lends funds to companies or sole proprietorships with short-term financing needs, the amount of each individual loan shall not exceed 10% of the Company's net worth, and the cumulative balance shall not exceed 40% of the borrower's net worth.

Lending of funds between overseas companies in which the Company directly or indirectly holds 100% of the voting shares, or lending of funds by overseas companies in which the Company directly or indirectly holds 100% of the voting shares to the Company, shall not be subject to the restrictions set forth in the preceding paragraph. However, limits on the

aggregate lending amount and on individual counterparties shall still be prescribed, and the lending period shall be clearly specified.

Article 4

The term of each loan granted by the Company shall not exceed one year or one operating cycle, whichever is longer, and the annual interest rate shall not be lower than the Company's average short-term bank borrowing rate.

Article 5

When the Company lends funds to others, the borrower shall provide basic information and financial data, complete an application form stating the purpose of the funds, the loan amount, and the loan period, and submit the same to the Company.

Where lending is made due to business dealings, the Company's handling personnel shall evaluate whether the loan amount is commensurate with the amount of business dealings. Where lending is made due to short-term financing needs, the reasons and circumstances for such lending shall be specified.

The following matters shall be carefully reviewed:

1. The necessity and reasonableness of lending funds to others.
2. Credit investigation and risk assessment of the borrower.
3. Impact on the Company's operating risk, financial condition, and shareholders' equity.
4. Whether collateral should be obtained and the appraised value of such collateral.

Based on the evaluation results, lending terms shall be proposed and submitted level by level to the Board of Directors for approval before disbursement. No authorization shall be granted to any other person to decide such matters.

Where the Company has established independent directors, their opinions shall be fully considered when lending funds to others, and their explicit opinions of consent or objection and the reasons for objection shall be recorded in the minutes of the Board meeting.

Article 6

Lending of funds between the Company and its subsidiaries, or between subsidiaries, may, within a certain limit approved by the Board of Directors, authorize the Chairman to

disburse loans in installments or on a revolving basis to the same counterparty within a period not exceeding one year.

The aforesaid “certain limit,” except as provided in Paragraph 3 of Article 3, shall not exceed 10% of the net worth of the most recent financial statements of the lending company with respect to any single enterprise.

The terms “subsidiary” and “parent company” as used in these Procedures shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where the Company’s financial reports are prepared in accordance with International Financial Reporting Standards, the term “net worth” as used in these Procedures refers to equity attributable to owners of the parent as stated in the balance sheet prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

After disbursement of the loan, close attention shall be paid to the borrower’s and guarantor’s financial condition, business operations, and related credit status. Where collateral is provided, any changes in the value of such collateral shall also be monitored. In the event of any material change, the Chairman shall be notified immediately and appropriate actions shall be taken in accordance with instructions.

When the borrower repays the loan at maturity or prior to maturity, interest payable shall be calculated first, and repayment of principal and interest shall be made in full before promissory notes or loan instruments are cancelled and returned to the borrower or mortgage registration is cancelled.

Article 7

Where the borrower fails to repay principal or interest upon maturity, recovery shall be pursued in accordance with law.

Article 8

The Company shall establish a register for lending of funds to others, in which the counterparty, amount, date of Board approval, date of disbursement, and matters requiring prudent evaluation under these Procedures shall be fully recorded for reference.

The Company’s internal auditors shall audit the procedures for lending of funds to others and their implementation at least quarterly, prepare written records thereof, and promptly notify the Audit Committee in writing if any material violations are discovered.

Where, due to changes in circumstances, a lending counterparty no longer meets the requirements of these Procedures or the balance exceeds the prescribed limit, the Company shall prescribe a time limit for recovery of the excess loan amount, submit the improvement plan to the Audit Committee, and complete improvements in accordance with the prescribed schedule.

Article 9

Where a subsidiary of the Company intends to lend funds to others due to business needs, it shall do so in accordance with these Procedures.

Subsidiaries shall, by the fifth day of each month, submit information on their lending of funds to others for the preceding month to the Company for record purposes in the prescribed format. However, where the standards set forth in Article 10 of these Procedures are met, the Company shall be notified immediately so that the Company may make public disclosure and filings in accordance with regulations.

When the Company's auditors conduct audits of subsidiaries pursuant to the annual audit plan, they shall also review the subsidiaries' implementation of procedures for lending of funds to others. Where deficiencies are discovered, follow-up on corrective actions shall be conducted, and follow-up reports shall be prepared and submitted to the Audit Committee.

Article 10

By the tenth day of each month, the Company shall input the outstanding balances of lending of funds to others of the Company and its subsidiaries for the preceding month into the Market Observation Post System.

Where any of the following standards is met, the Company shall input the information into the Market Observation Post System within two days commencing from the date of occurrence of the relevant fact:

The "date of occurrence" as used in these Procedures refers to the earliest of the contract signing date, payment date, Board resolution date, or any other date sufficient to determine the lending counterparty and amount.

1. The aggregate balance of lending of funds to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its most recent financial statements.
2. The balance of lending of funds to a single enterprise by the Company and its subsidiaries reaches 10% or more of the Company's net worth as stated in its most recent financial statements.

3. The amount of new lending of funds by the Company and its subsidiaries reaches New Taiwan Dollars 10 million or more and reaches 2% or more of the Company's net worth as stated in its most recent financial statements.

Where a subsidiary of the Company is not a domestic public company and meets the circumstances set forth in Subparagraph 3 of the preceding paragraph requiring public disclosure and filing, such disclosure and filing shall be made by the Company.

The Company shall evaluate the status of lending of funds to others, make adequate allowance for bad debts, appropriately disclose relevant information in its financial reports, and provide relevant information to the certifying accountants for the performance of necessary audit procedures.

Article 11

Where managers or responsible personnel of the Company violate these Procedures, they shall be reported for evaluation and disciplined in accordance with the Company's personnel management rules and employee handbook, depending on the severity of the violation.

Article 12

These Procedures shall be implemented upon approval by the Audit Committee and the Board of Directors, and submission to and approval by the Shareholders' Meeting. Where any director expresses dissent and such dissent is recorded or submitted in writing, the Company shall submit such dissent to the Shareholders' Meeting for discussion; the same shall apply to any amendments.

Where the Company has established independent directors, when these Procedures are submitted to the Board of Directors for discussion in accordance with the preceding paragraph, the opinions of independent directors shall be fully considered. Where independent directors have dissenting or qualified opinions, such opinions shall be recorded in the minutes of the Board meeting.

Where the Company establishes or amends the Procedures for Lending of Funds to Others, approval by more than one-half of all members of the Audit Committee shall be required, and the matter shall be submitted to the Board of Directors for resolution; the provisions of the preceding paragraph shall not apply.

Where approval by more than one-half of all members of the Audit Committee is not obtained as provided in the preceding paragraph, approval by more than two-thirds of all directors may be obtained, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.

The term “all members of the Audit Committee” and the term “all directors” as used in the preceding paragraph shall be calculated based on the number of members or directors actually in office.