

Guidelines for Machinery and Equipment Upgrade Loans (Phase 2)

Adopted at the 71st Management Committee on December 24, 2018

1. Purpose

These Guidelines are formulated in line with the industrial automation, environmental protection and energy conservation policies, aiming to encourage enterprises to purchase automation, pollution reduction and energy conservation equipment, prevent pollution and promote the efficiency of energy to facilitate industrial upgrading.

2. Amount and Source of Loans

The total amount of Loans for Machinery and Equipment Upgrade (hereinafter referred as the “loan”) is NT \$80 billion. The Phase 1 is from August 17, 2016 to December 31, 2018, with an amount of NT \$30 billion; the Phase 2 is from May 31, 2019 to May 30, 2022, with an amount of NT \$20 billion. Extension of the loan for a further term will be subject to evaluation of the management situation. Each loan shall be funded by a quarter of the Executive Yuan National Development Fund (NDF) and three quarters by domestic banks (the “lending banks”). The loan risk is borne by the lending bank. A loan may be funded in full by the lending bank according to NDF’s fund dispatching situation. The NDF shall, as the case may be, pay the bank charges on a monthly basis on the basis of the actual average balance loaned. The risk of the loan shall be borne by the lending bank, and the NDF may adjust the rate of the procedure according to the situation.

3. Prospective Borrowers

This loan is applicable to domestic private and government-owned enterprises.

4. Loan Scope

- (1) Investment plan for the purchase of automated machinery and equipment.
- (2) Investment plan for the purchase of computer software and hardware.
- (3) Investment plan for the purchase of pollution prevention and control equipment.
- (4) Investment plan for the purchase of energy-saving equipment.
- (5) Investment plan for the purchase and utilization of new and clean energy equipment.
- (6) Plans for renewal (new purchase or replacement) of vehicles and their related in-vehicle facilities by highway (urban) passenger transport operators.
- (7) Investment plan for the purchase of automation, energy conservation, new and clean energy and other equipment identified by the Ministry of Economic Affairs.

5. Loan Limit

- (1) The limit of each scheme shall be determined according to the financial status of the applicant and the loan limit. The maximum amount shall not exceed 80% of the cost of the scheme.
- (2) The total amount of this loan applied by a single applicant is up to NT\$400 million. The maximum amount of loan under the purchase plan for pollution prevention equipment is NT\$1 billion. Each loan scheme will be undertaken by one lending bank, but a syndicated loan plan shall be jointly undertaken by all participating banks.

6. Interest Rate

The maximum lending rate of the lending bank shall not exceed the two-year term deposit annual interest rate of postal savings plus 2.175% of the annual interest rate.

7. Loan Term

The term of the loan shall not exceed 10 years (including grace period), and the grace period shall not exceed 3 years.

8. Guarantee Conditions

It shall be handled in accordance with the regulations of the lending banks.

9. Handling Unit

Loans will be issued by domestic government-owned and private banks. Taiwan Business Bank, as the managing bank, is responsible for financing and management business.

10. Loan Application Procedure

(1) The loan application procedure shall be handled in accordance with the operation regulations of the lending bank. The lending bank shall, in accordance with the applicant's investment plan, examine the feasibility and repayment ability. If the scope of application of the loan is difficult to determine, it may be sent to the competent authority of each target enterprise for assistance.

(2) If there are any matters not specified in these Guidelines, they shall be handled in accordance with the relevant provisions of the lending bank.

11. Supervision of Use

(1) The lending bank may request the applicant to appoint an accountant to help establish and improve the accounting system.

(2) The NDF, the lending bank and the competent authorities may, respectively or jointly, send personnel to the applicant's premises to investigate loan related account vouchers, installation and operation of the equipment and software status. The applicant shall not refuse such investigation.

(3) If the applicant for the loan violates the provisions of these Guidelines or uses the loan for another purpose, the lending bank shall return the matching funds provided by the NDF in accordance with Point 2 of the Guidelines and retroactively pay back the difference interest from the date of loan to the date of return according to the two-year fixed-term deposit floating interest rate of the postal savings and the handling fee the NDF paid in such case.