



Handling Procedures for Capital Lending

Article 1 Purpose

In order to provide specific operating rules in respect of capital lending by the Company the Handling Procedures are enacted in accordance with the Guidelines for Handling Capital Lending Endorsements and Guarantees Made by Public Companies promulgated by the Financial Supervisory Commission (FSC)

Article 2 Entities of capital lending

Unless otherwise in any of the following circumstances the capital of the Company shall not be lent to any third party

where the business transactions between the Company and other company or firm which exists for such lending arrangement

where the short term financing facility is necessary for the company or firm directly or indirectly invested by the Company

Article 3 The aggregate amount of capital lending and the maximum amount permitted to a single borrower

The aggregate outstanding amount of capital lending shall not exceed forty percent of the Company's net worth as shown in the Company's latest financial statements

The limit on the amount of capital lending to the each individual borrower is as follows

- i If there is any business transaction between the Company and other company or firm which exists for capital lending the amount of capital lending for each individual company or firm shall not exceed three times the average monthly amount of transactions between the Company and the borrower during the most recent year prior to lending. The term the amount of the transactions is used herein means the higher of the purchase amount or sale amount of the business transactions between the Company and such borrower
- ii The limit on financing amount of capital lending which provides single borrower for short term financing needs shall not exceed percent of the Company's net worth stated in its latest financial statement and the aggregate



outstanding amount of capital ending shall not exceed _____ percent of the Company's net worth as stated in its latest financial statement. The term "financing amount" as used in the Handling Procedure means the cumulative amount of short term financing amount for error.

iii. The overseas subsidiaries whose outstanding voting shares are directly or indirectly held by the Company or their funds along others or to the Company shall not be subject to the limitation of subparagraph of this paragraph. However, the Company's subsidiaries shall set the aggregate limit of capital ending and the limit permitted for single error and shall stipulate the durations of capital ending in its Handling Procedures.

iv. If the responsible person of the Company violates the provisions of item (i) and (ii) of this paragraph, the responsible person shall bear the joint responsibility for returning the capital ending with the errors if the Company suffers damage. The responsible person shall be liable for damages.

The capital ending between the Company and its subsidiaries or among the Company's subsidiaries shall be approved by the Board of Directors. The Board of Directors may authorize the Chairman to approve to or not single error within specific limit resolved by the Board of Directors and for period not more than one year. For such error to be taken down for several times or have revolving capital ending.

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ID certificate of its responsible person and necessary financial information for the Company to conduct the credit checking

Approving credit ending

After conducting credit checking the Company's finance department shall evaluate the reason, use of proceeds, purpose, amount, effect on such credit ending, the value of the contract and the credit and operation conditions of the applicant borrower and further evaluate the impact on the Company's operation, risk, financial conditions and the shareholders' equity caused by such credit ending. Results of the evaluations shall be submitted to the Board of Directors for discussion and approval.

Inform the applicant

After the Board of Directors approves the credit ending, the person in charge in the finance department shall inform the applicant as soon as possible in writing or by phone of the approval and the determined terms and conditions with respect to such credit ending.

Security

Except the borrower is subsidiarily liable when the borrower applies to draw down the funds, the borrower shall provide the Company with the promissory note or other contract with the corresponding value.



If the Company or the Company's subsidiary whose balance of capital ending reaches one of the following events the Company shall be required to announce and file the necessary reports in the format prescribed by the FSC within 10 days from the date of occurrence of the relevant event

- i The aggregate capital ending balance reaches 10 percent or more of the Company's net worth as stated in its latest financial statement
- ii The balance of capital ending to single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement
- iii The balance of capital ending increases by more than NT 1 billion and by 10 percent or more of the Company's net worth as stated in its latest financial statement

If the Company's subsidiary is not a domestic public company but is required to be a public company shall be required to announce and file the necessary reports in accordance with Paragraph 10 above the Company shall be required to announce and file the necessary reports for and on behalf of such subsidiary of the capital ending conducted by such subsidiary

When determining whether the outstanding amount reaches the net worth threshold prescribed in Paragraph 10 above the test shall be whether the outstanding amount of the subsidiary's capital ending reaches the prescribed percentage of the Company's net worth

The Company shall evaluate the capital event and provide the adequate and sufficient information for shareholders to make the proper disclosure of the relevant information in connection therewith in the financial statements and provide the relevant pertinent information to the CPA for his/her to proceed with the necessary auditing procedure

The term the date of occurrence as used in the Handling Procedures shall be the date of contract signing date of payment dates of records of directors resolutions or other date that confirm the counterparty and monetary amount of the capital ending whichever date is earlier the term shall be required to announce and file the necessary reports as used in the Handling



Procedures shall be in information disclosure posted on the website designed by the FSC

Article 7 The Subsequent Measures for Supervising Capital Lending and the Procedures for Handling Overdue Lending

After the funds received the Company shall keep monitoring on the financial condition business condition credit of the borrower and guarantor and change of the value of collateral provided for the borrowing if any. The Company shall inform the borrower at least three months prior to the maturity date to repay on the maturity date. If there is any term change the person in charge shall report such change to the Chairman of the Board of Directors immediately and handle the relevant matters properly in accordance with chairman's instruction.

When the borrower repays the advances on or prior to the maturity date the Company shall receive and return the evidence of borrowing such as the promissory note to the borrower or proceed with the mortgage discharge registration with respect to the collateral if and on condition if the principal and interest accrued by the Company have been fully repaid.

If the borrower fails to repay on the due date the Company may dispose of the collateral and/or ask the guarantor for repayment in accordance with the applicable laws and regulations.

If the relevant capital ending is required to be submitted to the board of directors for discussion such ending shall be approved by majority of members of the Audit Committee and submitted to the board of directors for resolution. If such ending is not approved by majority of members of the Audit Committee temporarily such ending may be approved by two-thirds of directors provided that in such case the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.

All members of the Audit Committee and All Directors referred to in the preceding paragraph shall be the constituent members of the committee members directors.

Article 8 Penalty

If any manager or person in charge of capital ending due to his/her negligence violates the Handling Procedures and its result causes serious damages to the



Company such manager or person shall report to his/her direct superior and the most senior decision making officer of the finance division immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company, the Company, in addition to the punishment in accordance with its relevant internal regulations, requires such manager or person to compensate the Company's loss. The punishment and how to handle the above-mentioned violation shall be reported to the next Board of Directors meeting.

Article 9 The Procedures for Supervising Capital Lending by Subsidiaries

If the Company's subsidiary intends to lend capital to the third party, such subsidiary shall adopt its own handling procedures for capital lending—in accordance with the Rules Governing Capital Lending and Endorsements and Guarantees by Public Companies promulgated by the FSC after consulting with the Company's opinions. Subsidiary's Handling Procedures shall be approved by the subsidiary's Audit Committee and/or Board of Directors and/or the shareholders meeting. The same shall apply to lendents to such Handling Procedures.

The Company shall supervise its subsidiaries to check whether or not the handling procedures for capital lending are in compliance with the relevant and regulations or not and whether the subsidiary lends capital in accordance with such subsidiary's own handling procedures for capital lending transactions. The Company's internal auditing personnel shall review and check the election reports produced by each subsidiary.

Article 10 Miscellaneous

The term subsidiary as used in the Handling Procedures shall have the same meaning as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term net worth as used in the Handling Procedures shall mean the net sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The internal auditing personnel shall examine and audit the Handling Procedures and the implementation thereof. The test on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Handling Procedures, they shall inform the Audit Committee of such violation in



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If the entity that the company owns its funds to is no longer meets the regulations or the Company's outstanding amount of capital ending exceeds the limit provided in the Handling Procedures due to change of the circumstances the Company shall submit the improvement plan to the Audit Committee and execute the plan on schedule.

Matters not provided for in the Handling Procedures shall be governed by relevant regulations and the Company's other internal regulations.

Article 11 Board of Director

Consent of or amendment to the Handling Procedures shall be approved by majority of members of the Audit Committee and further submitted to the board of directors for resolution. If consent of or amendment to the Handling Procedures is not approved by majority of members of the Audit Committee, then alternatively such shall be approved by two-thirds of directors provided that in such case the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.

The Handling Procedures shall be approved by the board of directors and further submitted to the shareholders meeting for approval and become effective after 30 days. The same shall apply to amendments to the Handling Procedures.

Article 12

The Handling Procedures were enacted on October 1st and entered into force on April 1st of the