



## 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 produced by the Financial Supervisory Commission FSC

### **Article 2 Entities of capital lending**

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

here the business transactions between the Company and other company or firm which calls for such lending arrangement

here 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 shown in the Company's latest financial statements

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

- i If there is any business transaction between the Company and other company or firm which calls 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 the amount of the business transactions between the Company and such borrower
- ii The individual 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 share note exceed percent of the

Company's net worth stated in its test financial statement. The term

financing amount is used in the Handing Procedure means the cumulative

value of short term financing amount for borrower

iii The oversea subsidiary whose outstanding voting shares are directly or  
indirectly held by the Company on their funds among others or to the Company  
shares not subject to the limitation of supergraphic of this paragraph. However  
the Company's subsidiaries shall set the aggregate value of capital ending and the  
individual permitted for single borrower and shall stipulate the durations of  
capital ending in its Handing 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 borrowers 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 on single borrower  
within specific interest reserved by the Board of Directors and for period not  
more than one year or such borrower to keep doing so for sever times or  
have revoking capital ending

The term specific interest set forth in the preceding subparagraph shall be pursuant  
to paragraph subparagraph iii and the outstanding value of capital ending  
shall be the Company and its subsidiaries to single borrower share not exceed  
percent or more of the borrower's net worth stated in its test financial statement

#### **Article 4 The Tenor of Capital Lending and the Methods for Calculation of Interest**

The tenor of capital ending shall not exceed one year. The interest rate  
shall be calculated by the Company's short term funding cost plus certain margin and  
the interest shall be calculated on monthly basis or be collected on the due date of the  
capital ending

#### **Article 5 The Procedures for Reviewing and Approving Capital Lending**

##### **Credit checking**

The borrower shall provide the Company with the certificate of company registrations



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

#### Approving credit lending

After conducting credit checking the Company's finance department evaluate the reason use of proceeds purpose amount effect on such credit lending the value of the counter 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 lending. Results of the evaluations shall be submitted to the Board of Directors for discussion and approval.

#### Information the applicant

After the Board of Directors approves the credit lending 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 detailed terms and conditions with respect to such credit lending.

#### Security

Except the borrower is subsidiary at the time when the borrower applies to draw down the funds the borrower shall provide the Company with the promissory note or other counter with the corresponding value.



If the Company or the Company's subsidiary whose percentage of capital ending reaches one of the following events the Company shall keep public 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 reaches percent or more of the Company's net worth stated in its test financial statement
- ii The percentage of capital ending to single enterprise reaches percent or more of the Company's net worth stated in its test financial statement
- iii The percentage of capital ending increases by more than 10% in any year and by percent or more of the Company's net worth stated in its test financial statement

If the Company's subsidiary is not domestic public company it is required to keep public announce and file the necessary reports in accordance with Paragraph above the Company shall keep such public 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 above the test shall determine 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 end by it provide the adequate and sufficient once for and details to make the proper disclosure of the relevant information in connection therewith in the financial statements and provide the relevant interim and information to the CPA for his/her to proceed with the necessary auditing procedure

The term the date of occurrence is used in the Handling Procedures shall be on the date of contract signing date of entry and dates of boards of directors resolutions or other date thereof confirming the counterparty and amount of the capital ending whichever date is earlier the term shall keep public announce and file the necessary reports 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 transfer 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 accept and return the evidence of borrowing such as the promissory note to the borrower or proceed with the registration of the collateral with respect to the collateral if and only if the principal and interest calculated 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 lending is required to be submitted to the Board of Directors for discussion such lending shall be approved by a majority of the members of the Audit Committee and submitted to the Board of Directors for resolution. If such lending is not approved by a majority of the members of the Audit Committee, then the Audit Committee shall record in the minutes of the meeting of the Board of Directors 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.

A members of the Audit Committee and A Directors referred to in the preceding paragraph shall be the actual number of the committee members directors

## **Article 8 Penalty**

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



Co p ny such n ger or person sh report to his her direct superior nd the ost senior decision king officer of the fin nce division i edi te y Such n ger or person s vio tion sh e h nd ed in ccord nce ith the re ev nt intern persone nd d inistr tion regu tions of the Co p ny If it is found th t such n ger or person intention y vio ted the H nd ing Procedures nd s resu t c used d ges to the Co p ny the Co p ny y in ddition to the punish ent de in ccord nce ith its re ev nt intern regu tions require such n ger or person to co pens te the Co p ny s oss The punish ent nd ho to h nd e the ove entioned vio tion sh e reported to the ne t Bo rd of Directors eeting

## **Article 9 The Procedures for Supervising Capital Lending by Subsidiaries**

If the Co p ny s su sidi ry intends to end c pit to the third p rty such su sidi ry sh dopt its o n h nd ing procedures for c pit ending– in ccord nce ith the Ru es Governing C pit Lending nd Endorse ents nd Gu r ntees y Pu ic Co p nies pro u g ted y the FSC fter consu ting ith the Co p ny s opinions Su sidi ry s H nd ing Procedures sh e pproved y the su sidi ry s Audit Co ittee nd or Bo rd of Directors nd or the sh reho ders eeting The s e sh pp y to end ents to such H nd ing Procedures

The Co p ny sh supervise its su sidi ries to check hether or not the h nd ing procedures for c pit ending re in co p i nce ith the re ev nt nd regu tions or not nd hether the su sidi ry ends c pit in ccord nce ith such su sidi ry s o n h nd ing procedures for c pit ending tr ns ctions The Co p ny s intern uditing personne sh revie nd check the e in tion reports produced y e ch su sidi ry

## **Article 10 Miscellaneous**

The ter su sidi ry s used in the H nd ing Procedures sh h ve the s e ening s defined in the Regu tions Governing the Prep r tion of Fin nci Reports y Securities Issuers

The ter net orth s used in the H nd ing Procedures sh e n the nce sheet equity ttri ut e to the o ners of the p rent co p ny under the Regu tions Governing the Prep r tion of Fin nci Reports y Securities Issuers

The intern uditing personne sh e ine nd udit the H nd ing Procedures nd the i p e ent tion thereof t e st on the qu rter y sis nd produce theritten record If intern uditing persone find ny teri vio tion of the H nd ing Procedures they sh infor the Audit Co ittee of such vio tion in

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

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

### **Article 11 Board of Director**

Entertainment or amendment to the Handing Procedures shall be approved by a majority of members of the Audit Committee and further submitted to the board of directors for resolution. If entertainment or amendment to the Handing Procedures is not approved by a majority of members of the Audit Committee, terminatively such as 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 Handing Procedures shall be approved by the board of directors and further submitted to the shareholders' meeting for approval and become effective after several steps. The steps shall apply to amendments to the Handing Procedures.

### **Article 12**

The Handing Procedures were enacted on October first, endents shall be on April second, endents shall be on May the third, endents shall be on June the fourth, endents shall be on June the fifth, endents shall be on June the sixth, endents shall be on June the seventh, endents shall be on June the eighth, endents shall be on June and the ninth, endents shall be on June.