

## **Principles for Loaning Funds to Others**

### Article 1 Purpose

Pursuant to Article 15 of the Company Act, the Company shall act in compliance with these Principles when loaning funds to others.

### Article 2 Entities for which the loans are made

The Company shall not loan funds to any of its shareholders or any other person except the following circumstances:

1. Any companies having business transaction calls with the Company.
2. Any companies which need short-term financing facilities.

The term “short-term” as used in the preceding paragraph means one year, or where the Company’s operating cycle exceeds one year, one operating cycle.

The definition of paragraph 1, subparagraph 2 should be the companies that the Company holds above 40% of its voting shares and the funds should be used in the operation provided in their Articles of Association/By-laws.

### Article 3 Limits of funds loaned

The limits of funds loaned are as follows:

1. The total amount of funds loaned shall not exceed 60% of the net value of the Company’s latest audited or reviewed financial reports.
2. The total amount of funds loaned due to needs arising from business dealings shall not exceed 50% of the net value of the Company’s latest audited or reviewed financial reports and the total amount of funds loaned to a single company shall not exceed 15% of the net value of the Company’s latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest two years. If a company is the Company’s subsidiary, the total amount of funds loaned to such single company shall not exceed 40% of the net value of the Company’s latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest five years.
3. The total amount of funds loaned due to needs arising from short-term financial facilities shall not exceed 10% of the net value of the Company’s latest audited or reviewed financial reports and the total amount of funds loaned to a single company shall not exceed 5% of the net value of the Company’s latest audited or reviewed financial reports.

### Article 4 Hierarchy of decision-making authority and delegation thereof

Before loaning funds to others, the Company shall carefully evaluate whether the loan is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”(hereinafter “the Governing Regulations”) made by Financial Supervisory Committee and these Principles. The Company may loan funds to others only after the evaluation results under this paragraph and Article 5, paragraph 2 have been

submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.

Funds loaned between the Company and its subsidiary should be submitted to and resolved upon by the board of directors according to the preceding paragraph. If the character of the loaning of funds is a short term financing, the board of directors could authorize the chairman of the board to loan funds in many times or revolve the loan within the limit in accordance with Article 3, paragraph 1, subparagraph 3 resolved by the board of directors and one year for the same borrower.

#### Article 5 Procedures for funds loaned

The Company may loan funds to others only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors.

The evaluation report shall include:

1. The necessity and reasonableness of loaning funds to others.
2. Whether the amount of funds loaned is within the limits.
3. Where the loan is made due to needs arising from business dealings, the Company shall evaluate whether the amount of funds loaned and business dealing is within the limits.
4. Where the loan is made due to needs arising from short-term financial facilities, the reasons for and conditions of extending loans shall be enumerated.
5. Credit Status and risk assessment of the borrowers.
6. The impact on the Company's business operation, financial status and shareholders' equity.
7. Whether collateral must be obtained and appraisal of the value thereof.

The Company shall prepare a memorandum book for its funds-loaning activities and record in detail the following information for the record: the borrower, the amount, the date of approval by the board of directors, the date of the loan provided, and matters to be carefully evaluated under Article 4, paragraph 1.

Where as a result of changes of condition the borrower no longer meets the requirements of the Governing Regulations, or the amount of funds loaned exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.

The Company shall evaluate the status of its funds loaned and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.

#### Article 6 Terms and interest calculation

The period for funds loaned due to needs arising from business dealings should not be longer than three years. Should the borrower would like to extend the loan period, such request should be submitted to and resolved upon by board of directors in advance and the period for extended borrowing should not be longer than three years. The period for funds loaned due to needs arising

from short-term financing facilities should be within one year.

The interest rate shall not be lower than the interest rate on the Company's borrowings from banks. If there is any special circumstance, the interest rate could be adjusted after being resolved by the board of directors.

#### Article 7 Follow-ups for outstanding balance and procedures for overdue balance

The Company's Finance Department should prepare statement to record the borrower, reasons for loaning funds, amount, the date of approval by the board of directors, the date of the loan provided, scheduled repayment date, interest rate, repayment and source, monthly outstanding amount, and collateral status.

The Company should watch out for the financial status, business operation and other related credit information of the borrowers after the loans are made. The Company should also take notice of the collateral's value if the collateral is provided.

When the loan is due, if the borrower could not repay the outstanding balance or extend the loan period, the Company shall take required actions to protect its interest.

#### Article 8 Internal Control

The Company's internal auditors shall audit the procedures for loaning funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify audit committee in writing of any material violation found and provide the plan improved the violation of the regulations.

The Company shall follow these Principles for loaning funds. In case there are material violations, the person in charge and the manager should be punished according to internal procedures.

#### Article 9 Announcement and reporting procedures

The Company shall announce and report the previous month's balance of loaning funds of itself and its subsidiaries by the 10<sup>th</sup> day of each month.

If the Company's funds-loaning balance reaches the levels regulated in the Governing Regulations, the Company shall announce and report such events.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to paragraph 2.

#### Article 10 Procedures for controlling and managing funds loaned by subsidiaries

Where the Company's subsidiaries intend to loan funds to others, such subsidiaries shall formulate its own procedures in compliance with the Governing Regulations, comply with the procedures when loaning funds to others and report to the Company's Finance Department for consolidation and record.

Funds loaned between subsidiaries should be submitted to and resolved upon by its' board of

directors, if the character of the loaning of funds is a short term financing, the board of directors could authorize the chairman of the board to loan funds in many times or revolve the loan within the limit resolved by the board of directors and one year for the same borrower.

The limit in the preceding paragraph shall be in accordance with this Article, paragraph 4. The authorized amount of funds loaned by the subsidiaries to a single company shall not exceed 10% of the net value of the Company's latest audited or reviewed financial reports.

Where the foreign subsidiaries the Company holds, directly or indirectly, 100% of the voting shares may loan funds to each other due to needs arising from short-term financial facilities or the foreign subsidiaries the Company holds directly or indirectly, 100% of the voting shares may loan funds to the Company. The total amount of funds loaned shall not exceed 10% of the net value of the Company's latest audited or reviewed financial reports and the period for borrowing should not be longer than ten years.

#### Article 11 Others

Anything that is not specified in the Procedures shall follow the related regulations, the Company's internal control system and operation procedures.

#### Article 12 Effect and Amendment

These Principles should be approved by more than one-half of all members of the audit committee and be passed by the board of directors, these Principles will take effect after the Company submits to and be approved by the shareholders' meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these Principles.

If the above-mentioned is unapproved by more than one-half of all members of the audit committee, more than two-thirds of all directors can agree to do so, and the resolutions of the audit committee shall be stated in the minutes of the board meeting.

All members of the audit committee and all directors shall be counted as actual incumbents.