



## 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:

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

2. 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<sup>4</sup> of the Company's net worth as shown in the Company's latest financial statements

2. 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 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" as 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 as stated in its latest financial statement and the aggregate



outstanding amount of capital ending shall not exceed<sup>4</sup> percent of the Company's net worth 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 on their funds among others or to the Company shall not be subject to the limitation of subparagraph 2 of this paragraph. However, the Company's subsidiaries shall set the aggregate limit of capital ending and the liability 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 items 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 also 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 disapprove error within specific limits resolved by the Board of Directors and for a period not more than one year. For such error to be dealt with for several times or have revolving capital ending.

The term "specific limit" set set 4.7 to 22.7 or 2.7 to 4.7. 4.7 2 i



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

## 2 Approving commitment ending

After conducting credit checking the Company's finance department shall evaluate the reason use of proceeds purpose amount effect on such commitment ending 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 commitment 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 commitment 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 commitment ending.

## 4 Security

Except the borrower is subsidiary of the lender 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 which is equal to the amount of commitment ending.

The record of commitment ending

The finance department shall prepare and keep a book to record the basic information of borrowers the dates of the Board of Directors approval the approved ending limit the dates for advances of funds the ending amount counter's interest and the methods for and dates for repayment.

## **Article 6 Information Disclosure**

The Company shall make public announcement and file the necessary reports for itself and its subsidiaries of the outstanding amount of commitment endings of the end of the previous month prior to the third day of each month.



2 If the Company or the Company's subsidiary whose balance 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 ten days from the date of occurrence of the relevant event

i The aggregate capital ending balance reaches 2 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 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 million and by 2 percent or more of the Company's net worth as stated in its latest financial statement

If the Company's subsidiary is not domestic public company but is required to keep public announce and file the necessary reports in accordance with Paragraph 2 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 2 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

4 The Company shall evaluate the capital event by it provide the adequate and sufficient evidence for details to make the proper disclosure of the relevant information in connection therewith in the financial statements and provide the relevant certified 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 orders of directors resolutions or other date that can confirm the counterparty and monetary amount of the capital ending whichever date is earlier the term shall keep public 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 are advanced 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 material 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.

2. 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 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.

4. 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 alternatively 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 suffers 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 may, in addition to the punishment in accordance with its relevant internal regulations, require 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 extend 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 extensions to such Handling Procedures.

2. The Company shall supervise its subsidiaries to check whether or not the handling procedures for capital lending are in compliance with the relevant internal regulations or not and whether the subsidiary extends 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 extension 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.

2. The internal auditing personnel shall examine and audit the Handling Procedures and the implementation thereof at least 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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- 4 M tters not provided for in the H nd ing Procedures sh e governed y re ev nt s regu tions nd the Co p ny s other intern regu tions

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

En ct ent of or end ent to the H nd ing Procedures sh e pproved y jority of e ers of the Audit Co ittee nd further su itted to the o rd of directors for reso tion If en ct ent of or end ent to the H nd ing Procedures is not pproved y jority of e ers of the Audit Co ittee tern tive y such y e pproved y t o thirds of directors provided th t in such c se the reso tions dopted y the Audit Co ittee sh e recorded in the inutes of the eeting of the o rd of directors

- 2 The H nd ing Procedures sh e pproved y the o rd of directors nd further su itted to the sh reho ders eeting for pprov nd i eco e effective fter rds The s e sh pp y to end ents to the H nd ing Procedures

#### **Article 12**

The H nd ing Procedures ere en cted on Octo er first end ent s