



Document No	W-FA-I-003	Release Date	110627
Document Name	Regulations Governing Loaning of Funds to Others	Version	A

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1. Objectives:

These Regulations are duly enacted to meet the business operation needs of the Company and to satisfy the laws and ordinances concerned of the competent authorities of the government.

2. Scope:

These Regulations are applicable to all issues where the Company loans its funds to others unless otherwise prescribed in the laws and regulations.

3. Powers and responsibilities:

These Regulations are duly enacted and amended by the Financial and Accounting Department exactly in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

4. Definitions:

Nil.

5. Contents of operation:

5.1 Target loanees of the Company’s funds:

- (1) The companies and firms in business transaction with the Company.
- (2) The companies and firms which are in need of short-term financing capitals.

5.1.1 The term “short-term” as set forth herein denotes one-year period. In the event that the Company is in the business cycle period longer than one year, nevertheless, the business cycle period shall be taken as the term.

5.2 Total amount of outward loans with the Company’s funds and limits to an individual target loanee:

- (1) The aggregate total of amounts loaned outward by the Company shall not exceed 40% of the Company’s net worth.
- (2) Toward the companies or firms in business transaction with the Company, the total amount of the



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loans of any individual company or firm and the total amount shall not exceed the total amount of business transaction in twelve months preceding loaning of the funds by and between both parties and shall not exceed 40% of the Company's net worth.. The term "total amount of transaction in business" as set forth herein denotes the amount of input sales or output sales by and between both parties, whichever is the higher.

- (3) Toward the companies or firms in need of short-term financing, the total amount of the loans of any individual company or firm shall not exceed the limit of 40% of the Company's net worth.
- (4) Where the Company grants loans toward its overseas subsidiaries where the Company holds 100% voting powers either directly or indirectly, the amount of loans is free of the limit of 40% of the Company's net worth.

5.3 Handling procedures when the Company loans its funds to others:

5.3.1 Review:

- (1) A loanee which applies to the Company for a loan shall fill out application form which should expressly bear the amount of loans, period of loan, purposes of use and collateral provided. The loanee shall, meanwhile, provide fundamental data and financial data to the Company as required for credit investigation.
- (2) The Financial Department shall, on the grounds of the information and data obtained under the preceding paragraph, conduct credit investigation and assessment over the indispensability and rationality of the loans, the credit investigation and risk assessment of the target loanee and shall, meanwhile, take elaborate review over the financial standing, operating risk to the Company, the impact upon the shareholders' equity, whether collateral should be obtained and the values of the provided collateral.

5.3.2 Security preservation: Where a loanee applies for a loan in accordance with 5.3.1, except a case where the loanee is a subsidiary which the Company holds over 50% voting powers either directly or indirectly, the Company should acquire security of equivalent value commercial promissory notes, collateral and/or other security satisfactory to the Company. For the collateral so provided, the loanee should duly complete pledge and/or mortgage procedures to safeguard the Company's creditor's right (obligatory right).



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5.3.3 Scope of authorization:

- (1) The Company shall, before loaning the Company's funds to another, cautiously assess the case to make sure whether the target loanee satisfies the requirements set forth under these Regulations and shall submit the results along with the 5.3.1 assessment results to the Board of Directors for decision beforehand.
- (2) Grant loan to a same loanee which is appropriated in partial installments, the Board of Directors shall authorize the chairman to complete the installations within a period not beyond one year. The credit line limit so authorized shall not exceed 10% of the Company's net worth as shown through the Company's latest financial statements.

5.3.4 Period of loan and method of interest calculation: Except a loan case involved in business transaction, the period of each loan granted shall not exceed the maximum of one year. The interest rate of the granted loan shall not be below the highest interest rate payable by the Company to a general financial institution for short-term loan at the time of granting of the loan. The interest shall be payable on a monthly basis. In an extraordinary case subject to approval by the Chairman, the interest rate may be duly adjusted as the actual requirements may justify.

5.3.5 For funds loaned by the Company, the Company should set up ready-for-check books which should enter the loanees, amounts, dates when the loans are approved by the Board of Directors, dates when the loans are granted, results of assessment which should be covered in the ready-for-check books in detail.

5.3.6 The subsequent managerial measures over amounts having been loaned and countermeasures against overdue loans:

- (1) After a loan is appropriated, the Company should be frequently watchful the financial standing, business performance and credit standing of the loanee and guarantor(s). If collateral has been provided, the Company should be watchful of the variation of the collateral value. In case of a



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significant change, a report should be submitted to the Chairman forthwith and the due countermeasures should be taken as instructed.

- (2) When a loan is due or when the loanee intends to repay the loan before expiry, the Company should calculate the payable interest and the loanee should clear off the principal and interest in full before the commercial promissory note may be returned to the loanee or be deleted from pledge.
- (3) The loanees shall repay the loan and interest in full upon maturity. In the event that a loanee could not do so and must defer repayment, the loanee shall apply beforehand and obtain approval from the Board of Directors beforehand. Otherwise the Company may straight dispose the collateral or deal with the guarantor(s) and claim repayment.

5.4 Important notes about loaning of funds to others:

- (1) After the Company duly sets up the Audit Committee in accordance with Articles of Incorporation, a major loan case with the Company's fund should pass approval by over one-second of the total Audit Committee members, be duly resolved in the Board of Directors beforehand. In the event that a loan case does not pass approval by over one-second of the total Audit Committee members, the loan may be granted directly if it is resolved by a two-thirds majority vote in the Board of Directors. The minutes of the board of directors meeting should also expressly remark the decision resolved in the Audit Committee. The terms total Audit Committee members and total directors shall refer to those actually serving during the tenure of office.
- (2) After the Company duly sets up independent directors, in case of a loan case with the Company's fund, the Company should take adequate consideration of the opinions of the independent directors. Their opinions, both pros and cons, should be expressly entered into the minutes of the board of directors meeting.
- (3) The Company's internal auditors shall duly audit the Procedures for Loaning of Funds to Others and the enforcement thereof on a quarterly basis as the minimum, and shall work out written records accordingly. In case of a major fault found, a notice should be reported to the Board of



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Directors in writing.

- (4) In case of a change in situation where a loanee becomes inconsistent with the requirements by law, these Operating Procedures or the balance of the loan exceeds the maximum limit, should work out the corrective action (remedial measure). The relevant plans should be submitted to the Audit Committee. Countermeasures should be duly completed as scheduled.

5.5 Procedures to control subsidiaries over loans with their funds to others:

- (1) Where a subsidiary of the Company intends to loan its funds to another, that subsidiary should duly enact procedures of loaning funds to others in accordance with laws and ordinances concerned and shall duly implement the procedures accordingly.
- (2) Before a subsidiary of the Company loans its funds to another, it shall submit to the Company the supporting documents and shall report to the Company's Board of Directors to obtain consent from the Company's Board of Directors beforehand.
- (3) After a subsidiary of the Company loans its funds to another, it shall report to the Company on a regular basis of the subsequent tracing performance of the loans granted.

5.6 Full disclosure of information:

- (1) The Company shall promulgate the balances of the funds loaned by the Company and its subsidiaries in the preceding month not later than the 10th day of every month as required under the regulations after the first listing.
- (2) Where the Company's balances of outward loans meet any of the situations below, the Company should promulgate and declare within two days after occurrence of the facts:
 - (2.1) Where the balances of the funds loaned by the Company and its subsidiaries to others reach 20% or more of the net worth of the Company's latest financial statements.
 - (2.2) Where the balances of the funds loaned by the Company and its subsidiaries toward a single enterprise reach 10% or more of the net worth of the Company's latest financial statements.
 - (2.3) Where the additional amounts of the funds newly loaned by the Company and its



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subsidiaries reach over NT\$10 million and 2% or more of the net worth of the Company's latest financial statements.

- (3) Where a subsidiary of the Company is not a publicly listed company, those issues which should be promulgated, declared by that subsidiary under 5.6(2) should be conducted by the Company instead.
- (4) The Company shall, pursuant to the Generally Accepted Accounting Principles, duly assess the funds loaned outward and appropriate adequate bad debt allowances and duly disclose information concerned through the financial statements. The Company shall, meanwhile, provide the relevant information to the auditing Certified Public Accountant for implementation of the audit procedures as necessary.

5.7 Penalty clauses: The Company's managerial officers and personnel in charge who violate these Regulations shall receive due penalty in accordance with the Company's Personnel Rules as the actual requirements may justify

5.8 Supplementation of Laws and Ordinances Concerned: Any matters insufficiently provided for herein shall be subject to laws and ordinances concerned.

5.9 Enforcement and amendment:

5.9.1 These Regulations shall be put into enforcement after being resolved in the Board of Directors and the shareholders' meeting. Where a director objects with record or written declaration, the Company should submit the objection to the shareholders' meeting for discussion. This same principle is equally applicable to an event of amendment.

5.9.2 Where the Company has set up independent directors and these Operating Procedures should be submitted to the Board of Directors for discussion under 5.9.1., the opinions spoken by the independent directors should be taken into adequate consideration. Their opinions, both pros and



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cons, and the reasons should be entered into the minutes of the board of directors meeting.

5.9.3 Where the Company has set up the Audit Committee in accordance with the Articles of Incorporation, enactment or amendment of these Regulations shall be subject to consent by a minimum of one-second of all Audit Committee members and be submitted to the Board of Directors for final resolution.

5.9.4 5.9.3 In the event that these Regulations do not meet consent by one-second or more of all Audit Committee members, the Regulations may be resolved by two-thirds majority of all directors. The decisions of the Audit Committee members should be expressly entered into the minutes of the board of directors meeting.

5.9.5 The terms total Audit Committee members under 5.9.3 and the aforementioned total directors shall refer to those actually serving during the tenure of office.

6. References:

6.1 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

7. Forms concerned:

7.1 Ready-to-Check Book of Funds Loaned to Others

7.2 Application Form of Funds Loaned to Others

8. Appendices:

8.1 Contents of inspection



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Operating vouchers:

1. Nil.

Important notes:

1. Nil.