



Title	Management Regulations Governing Loaning of Funds to Others		
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1. Purpose

The Regulations are established to govern the loaning of funds to others based on business needs.

2. Scope

The Regulations apply to the Company's affiliates or companies having business relationships with the Company.

3. Responsibility and authority

3.1 Financial unit: Responsible for amendment and maintenance of the Regulations.

4. Procedure

None

5. Contents

5.1 Borrowing counterparties and assessment criteria: (According to Article 15 of the Company Act, the Company shall not loan funds to any shareholder thereof or any other person, except in any of the following circumstances)

5.1.1 The Company's affiliates or companies having business relationships with the Company. The "business relationships" mentioned above refer to their purchase or sales transactions with the Company.

5.1.2 Companies or firms for which a short-term financing facility with the Company is necessary.

5.2 Limits on aggregate loans and loans to a single borrower

5.2.1 The aggregate amount of loans to companies or firms having business relationships with the Company shall be limited to 40% of the net worth shown in the most recent financial statements of the Company, and the amount of loans to each of the companies or firms shall be limited to the amount of trading between the two companies and shall not exceed 40% of the net worth shown in the most recent financial statements of the Company. The said amount of trading refers to the amount of the company or firm's purchase or sales transactions with the Company in the most recent year, whichever is higher.

5.2.2 The aggregate amount of loans to companies or firms for which a short-term financing facility with the Company is necessary shall be limited to 40% of the net worth shown in the most recent financial statements of the Company. The amount of loans to a single borrower (a single juridical person or group) shall not exceed 40% of the net worth shown in the most recent financial statements of the Company.

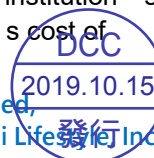
5.2.3 The restriction in 5.2.2 does not apply to the loans from overseas companies in which the Company directly or indirectly holds 100% of the voting shares to each other or to the Company, provided that the aggregate amount of the loans and the amount of the loans to a single borrower do not exceed 40% of the Company's net worth and the financing term is limited to one year.

5.2.4 The Company's most recent financial statements and net worth were audited or reviewed by a CPA.

5.2.5 The terms, subsidiaries and parent company, used herein shall be as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. As the Company's financial statements are prepared in accordance with the IFRS, the net worth referred to herein refers to the equity attributable to the owners of the parent company in the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5.3 Term: Funds shall be loaned on a short-term basis. The term of loans is limited to one year and shall be approved by resolution of the board of directors based on the individual borrower and loan amount.

5.4 Interest: Shall be calculated on a daily basis at an interest rate not lower than the financial institution's average interest rate for short-term loans on the lending date or based on the Company's cost of





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funds on the lending date.

5.5 Operational procedure

5.5.1 Before financing an entity, the Finance Department shall conduct an evaluation, check the credit information, and make a report on the financing to the Chairman for approval. After the board of directors approves the financing of the entity and the necessary security procedures are carried out, the Company may finance the entity. After the loans between the Company and its subsidiaries or between the subsidiaries are approved by resolution of the board of directors, the board of directors may authorize the Chairman to, for a specific borrower, within a certain monetary limit approved by the board of directors, and within a period not longer than one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

5.5.2 Before loaning funds, the financial personnel shall, according to the “Hierarchical Responsibility Management Regulations”(CMP-101), fill out a “submission form”(CMP-101.01) with the borrower’s name, amount, lending date, planned collection date, date of the boards of directors’ resolution and submit the form to the Chairman for approval. They shall also complete the “Detailed Table for Loans to Others”(for accounting statistics) based on the balance and security at the end of every month and submit it to the responsible supervisor for review.

5.5.3 When loaning funds to others, the Company shall take into full consideration each director’s opinion and include the directors’ opinions specifically expressing assent or dissent and their reasons for dissent in the minutes of the board of directors meeting.

5.6 Review procedure

5.6.1 Credit investigation

5.6.1.1 According to the Company’s procedure for loans to others, the borrower shall provide the necessary company information and financial data to apply to the Company for financing.

5.6.1.2 After the application is received by the Company, the financial unit shall investigate and assess the borrower’s business, financial condition, solvency, credit, profitability and loan purpose, and then prepare a report accordingly.

5.6.2 Security: When the Company loans funds, a secured promissory note with the same amount as the funds to be loaned shall be obtained and, if necessary, a mortgage shall be created on the chattel or real property of the borrower. For security for claim as mentioned in the preceding regulation, where the debtor uses the guarantee of an individual or company with sufficient financial resources or credit in lieu of security for the loan, the board of directors may decide whether to allow the debtor to do so based on the credit report prepared by the financial unit. If the debtor uses the guarantee of such a company as security, the Company shall make sure that the company’s articles of association has provisions specifying that it may give a guarantee.

5.6.3 Authority scope: Before loaning funds, the financial unit shall check the credit information and submit the loan to the board of directors for approval upon the consent of the Chairman.

5.7 Announcement and reporting procedure

5.7.1 The Company shall enter the balance of funds loaned by the Company and its subsidiaries from the previous month into the Market Observation Post System by the 10th day of each month.

5.7.2 In the event that the balance of funds loaned by the Company and its subsidiaries reaches one of the following thresholds, the balance shall be announced and reported within two days commencing immediately from the date of occurrence:

5.7.2.1 The balance of loans to others reaches 20% or more of the net worth shown in the most recent financial statements of the Company.

5.7.2.2 The balance of loans to a single enterprise reaches 10% or more of the net worth shown in the most recent financial statements of the Company.

5.7.2.3 The amount of new loans reaches NT\$10 million or more and 2% of the net worth shown in the most recent financial statements of the Company.





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5.7.3 The Company shall, on behalf of any subsidiary thereof that is not a public company in the Republic of China, enter any matters that shall be entered into the Market Observation Post System by such subsidiary pursuant to the regulations in 5.7.2.3 into such system.

5.7.4 The Company shall assess its loaning of funds and set aside sufficient allowances for bad debt, and shall adequately disclose the related information in the financial statements and provide certified public accountants with relevant information to proceed with necessary audit procedures.

5.7.5 The date of occurrence as referred to herein refers to the date of contract signing, date of payment, dates of boards of directors resolutions, or other dates that can confirm the borrower and loan amount, whichever is earlier.

5.8 Registration of cases: A memorandum for the Company's loaning of funds shall be prepared and record in detail the following information for reference: the borrower, amount, the date of approval by the board of directors, lending date, and matters to be carefully assessed under the Management Regulations.

5.9 Subsequent control:

5.9.1 In addition to preparing a monthly detailed balance table for loans to others, the Company's financial unit shall pay attention to, collect the information on, analyze and assess the changes in the credit and operation of the borrowing entities and make a report accordingly to the Chairman as a reference for risk assessment. Where a borrower does not pay interest according to the contract or the funds loaned are not repaid within the required timeframe, the financial unit shall immediately make a report accordingly and designate personnel to collect and handle the delinquent claims.

5.9.2 The Company's internal auditors shall audit the Management Regulations Governing Loaning of Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee of any material violation found by presenting a report.

5.10 Where, as a result of changes in circumstances, the borrower no longer meets the requirements of the Regulations, or the balance exceeds the limit, the Company shall develop rectification plans and submit the plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plans.

5.11 Control procedures for subsidiaries' loaning of funds to others:

5.11.1 The Company's subsidiaries intending to loan funds to others shall formulate their management regulations governing loaning of funds to others in accordance with the Regulations and comply with such management regulations.

5.11.2 The subsidiaries shall prepare a detailed list for their loaning of funds to others in the previous month and submit it to the Company for review by the 10th day (exclusive) of each month.

5.11.3 The subsidiaries' internal auditors shall audit their management regulations governing loaning of funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Company's audit unit of any material violation found in writing, and the audit unit shall submit the reported information to the audit committee.

5.11.4 The Company's auditors shall also check the implementation of the subsidiaries' operational procedures for loaning funds to others when conducting audits at the subsidiaries according to the annual audit plan. They shall keep following up the improvement of any deficiency found, and shall prepare a follow-up report accordingly and submit it to the audit committee.

5.12 The managers and responsible persons who act in violation of the Regulations shall be punished according to the "Rewards and Penalties Management Regulations" (CMP-110).

5.13 Where the person in charge of the Company violates the regulations in 5.1, he/she shall bear joint and several liability with the borrower for repayment; if the Company suffers damages as a result of the





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violation, the person in charge shall also be liable for the damages.

5.14 Where submission of the Regulations to the board of directors for discussion is required as per regulations, the consent of one-half or more of all audit committee members is required before submitting the Regulations to the board of directors for resolution. If the consent of one-half or more of all audit committee members is not obtained, the Regulations may be submitted to the board of directors upon the approval of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. All members or directors shall be counted as the number of persons currently holding those positions.

6. Relevant regulations

6.1 Hierarchical Responsibility Management Regulations(CMP-101)

6.2 Rewards and Penalties Management Regulations(CMP-110)

7. Forms to be used

7.1 Detailed Table for Loans to Others(for accounting statistics)

8. The Regulations and the amendments thereof shall be approved by the board of directors following the approval of the audit committee and are subject to the consent of the shareholders' meeting. When the Regulations are submitted to the board of directors for discussion, each independent doctor's opinion shall be taken into full consideration, and the independent directors' assenting or dissenting opinions and their reasons for dissent shall be included in the minutes of the board of directors meeting.

