

Orient Semiconductor Electronics, Ltd.

Procedure for Lending Funds to Others

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April 19, 1994 Amendment Announcement
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Article 1 Purpose

In order to meet the real business demands and not violate Article 15 of the Company Act, the Company has established this procedure.

Unless otherwise provided by law, the Company's lending funds to others shall be subject to this procedure.

Article 2 Legal Basis

This procedure has been established in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereinafter referred to as the "Regulations") published by the Financial Supervisory Commission (hereinafter referred to as the "FSC").

Article 3 The Counterparty of Lending Funds

In addition to the following circumstances, the Company shall not lend funds to shareholders or other persons:

- I. A company or firm who has business dealings with the Company.
- II. A company or firm who is deemed to have necessity of the short-term financing funds by the board of directors.

The foregoing "short-term" shall refer to the period of one year or one business cycle, whichever is longer.

The lending funds between the foreign companies whose voting shares are 100% held by the Company directly and indirectly shall not be subject to the Sub-paragraph 2 of the first Paragraph and the latter part of the first Sub-paragraph of the first Paragraph of Article 5. However, the limited amount and the term of the lending funds stipulated in Article 5 and Article 7 shall still be adhered to.

Article 4 Evaluation Criterion for Lending Funds to Others

- I. The Company that engages in lending funds to other companies or firms because of a business relationship shall comply with the second Paragraph of Article 5.
- II. The Company that engages in lending funds to other companies or firms after the board of directors recognizes the necessity of the short-term financing shall be limited to the following circumstances:
 - (I) A company whose shares are 20% or more held by the Company and having the necessity of the short-term financing for business needs.
 - (II) A company or firm having the necessity of the short-term financing for the purchase of materials or operational turnover.
 - (III) Other borrowers that are agreed upon by the Company's board of directors.

Article 5 Limit on Total Amount and Individual Counterparty of Lending

- I. The total amount of the Company's lending to others shall not exceed 30% of the net worth of the Company; however, provided that the board of directors recognizes the necessity of the short-term financing, the total amount of the lending to others shall not exceed 40% of the Company's net worth. The foregoing financing amount shall refer to the accumulated balance of the Company's short-term financing.
- II. The amount of individual lending with a company or firm who has business dealings with the Company shall not exceed the amount of business transactions between both parties in the most recent year. The foregoing amount of business transactions shall refer to the highest amount of purchase or sales between both parties.
- III. The amount of individual lending with a company or firm who has the necessity of the short-term financing shall not exceed 30% of the Company's net worth.

The foregoing "net worth" shall be based on the financial statements audited by the CPAs in the most recent period.

Provided that the financial reports are prepared in accordance with the IFRS, the net worth stated in this procedure shall refer to the equity attributable to the shareholder of the parent company in the balance sheet pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The lending between the foreign companies whose voting shares are 100% held by the Company directly and indirectly shall not be subject to the first

Sub-paragraph and the third Subparagraph of the first Paragraph; however, the amount of lending shall not exceed 200% of the net worth of each lending company.

Article 6 Term of Lending

Each of the Company's lending shall be limited to one year or less. However, provided that the Company's business cycle is longer than one year, it shall refer to the business cycle.

Article 7 Method of Interest Calculation

The interest rate for the Company's lending shall not be less than 2% of the annual interest rate, but the actual interest rates shall be assessed by the Company according to the market interest rate at the time. The calculation and collection of the interest for the Company's lending shall be collected once a month in principle. In the event of special circumstances, it may be adjusted according to actual demand after the approval of the board of directors.

Article 8 Decision Hierarchy

When the Company intends to lend funds to others, it shall be subject to the resolution of the board of directors and shall not authorize other persons to make decisions.

When the Company has set up the independent directors and intends to lend funds to others, the opinions of each independent director shall be fully taken into account. If an independent director expresses the opinion of objection or the qualified opinion, it shall be recorded in the meeting minutes of the board of directors..

Pursuant to the regulations of the preceding paragraph, the lending between the Company and its subsidiaries or between its subsidiaries shall be reported to the board of directors for resolution. For the same lending counterparty, it may authorize the chairperson to remit in multiples or be revolving within a certain amount resolved by the board of directors and a period of no more than one year.

In addition to compliance with the regulations of Paragraph 3 of Article 3, with regards to a certain amount stated in the preceding paragraph, the authorized amount for the lending funds provided by the Company and its subsidiaries' to a single enterprise shall not exceed 10% of the net worth of the Company or its subsidiaries in the latest financial statements.

Article 9. Execution and Review Procedure of Lending Funds

I. Execution Department

The finance department shall be responsible for the related operations

of the Company's lending funds to others. If required, the presidents may appoint other dedicated personnel to assist in the processing.

II. Review Procedure

(I) Credit Investigation

When the Company conducts the lending funds, the borrower shall first provide its company information and financial information to the Company in writing for the application of the financing facility. After the application is accepted by the Company, the finance department shall investigate and evaluate the business, financial position, solvency, credit, profitability and the purpose of the borrowing for the lending's counterparty and shall prepare a report.

(II) Review Evaluation

The contents of the evaluation report by the executing department shall include the following items:

1. The necessity and rationality of the lending funds to others.
2. Credit investigation and risk assessment for the counterparty of the lending.
3. The impact on the Company's operational risk, financial position and shareholders' rights and interests.
4. Whether or not the collateral should be obtained and the assessed value of the collateral.

(III) Security

When the Company conducted the lending funds, the same value of the guaranteed promissory notes shall be obtained; if necessary, the pledge of movable or immovable property shall be set up. With regard to the guarantee of the claims in the preceding paragraph, provided that the borrower provides a person or a company who has considerable financial capability and credit as a guarantee, instead of providing the collateral, the board of directors may refer to the credit investigation report from the finance department to make a decision; provided that a company is a guarantor, it shall pay attention to whether or not its Articles of Incorporation have the clauses that it can be a guarantor.

Article 10 Announcement and Declaration Procedure

- I. The announcement stated in this procedure shall refer to the information declaration website of the FSC.
- II. The date of occurrence of the facts stated in this procedure shall refer to the earliest date among the date on which the contract is signed, the

date of payment, the resolution date of the board of directors meeting or other date on which the counterparty of the lending and its amount are determined.

III. The Company shall announce the previous month's balance of lending for the Company and its subsidiaries before the 10th of each month.

IV. When the Company's lending reaches one of the following criteria, it shall be announced within 2 days from the date of occurrence of the facts:

(I) The balance of lending funds to others of the Company and its subsidiaries reaches 20% or more of the Company's net worth in the latest financial statement.

(II) The balance of lending funds for the Company and its subsidiaries on a single enterprise reaches 10% or more of the Company's net worth in the latest financial statement.

(III) The amount of new lending funds for the Company and its subsidiaries reaches NT\$10 million or more and also reaches 2% or more of the Company's net worth in the latest financial statement.

III. Provided that the Company's subsidiary is not a domestic public company, such subsidiary's announced items stipulated in the Sub-paragraph 2-3 of the first Paragraph of this Article shall be conducted by the Company.

The subsidiary and parent company herein shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 11 Subsequent Control Measures for Lent Amount and the Processing Procedures for Overdue Claims

I. After the amount of the lending is remitted, the financial, business and the related credit situations for the borrower and guarantor shall always be paid attention to. Provided that there is a collateral, the changes in a collateral's value shall be monitored; in the event of any material change, the president shall be notified immediately and appropriate measures shall be implemented according to the instructions.

II. When the borrower re-pays the loan at the expiration or before expiration, the interest payable shall be calculated first and paid off together with the principal; then the promissory notes for the loan will be cancelled and returned to the borrower or the cancellation of the pledge processed.

III. The borrower shall pay off the principles and interest at the expiration immediately. In the event of a violation, the Company may dispose of and claim the collateral or guarantee provided pursuant to the laws.

Article 12 Establishment of the Memorandum Book

When the Company conducts the lending of funds, the memorandum book shall be established for the purpose of the detailed records for the counterparty and the amount of the lending funds, the date of the approval by the board of directors, the date of lending amount remitted and the items that shall be carefully assessed according to the regulations.

Article 13 Internal Audit

The Company's internal auditors shall audit the Operational Procedures for Loaning of Company Funds and its implementation at least quarterly and prepare the written records; in the event of any material violation, it shall be notified to the audit committee immediately.

Article 14 Controlling Procedure for Subsidiary's Lending Funds to Others

I. When the Company's subsidiary intends to lend funds to others, the Company shall instruct such subsidiary to establish the "Operational Procedures for Loaning of Company Funds" pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" published by the FSC. Such procedure shall be submitted to its audit committee and/or board of director and/or shareholders' meeting for resolution pursuant to the relevant regulations before implementation. The same shall apply to the amendment. The subsidiary shall be subject to the procedure established.

II. When the Company's subsidiary intends to lend funds to others, it shall report to the Company for approval; the Company's finance department and the dedicated personnel designated by the president shall specifically assess such lending funds to others as to its necessity, rationality, risk, the operational risk to the parent company and subsidiary as well as the impact on the financial position and the shareholders' rights and interests, then it shall report to the president and chairperson for approval.

III. The finance department shall obtain the detailed balance report of the lending of funds to others from each subsidiary before the 5th day of each month.

IV. The Company's finance department shall regularly assess whether or not the subsequent control measures and overdue claims processing

procedure for the subsidiaries' lent amount are appropriate.

- V. The Company's internal auditor shall regularly audit each subsidiary's compliance with its "Operational Procedures for Loaning of Company Funds" and make an audit report; after the funding and recommendations stated in the audit report are reported and reviewed, the internal auditor shall notify the subsidiaries who are required to be audited to make an improvement and shall regularly make the tracking reports to ensure that the appropriate improvement measures are taken by such subsidiary in time.

Article 15 Penalty

If the Company's managers and the persons in-charge conduct the lending funds to others in violation of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the FSC or the Company's "Operational Procedures for Loaning of Company Funds," they shall be punished according to the working rules of the Company.

Article 16 Other Matters

- I. The board of director of the Company shall ask the finance department to investigate and evaluate the funds that have been lent to others before the implementation of this procedure, then the results shall be reported to the board of directors for ratification. If there is an excess of the approved limit of lending, the finance department shall notify the borrower to repay the excess loans within six months from the date of implementation of this procedure.
- II. In the event of the changes in circumstances, the counterparty of the Company's lending does not conform with the regulation of this procedure or the balance exceeds the limit. The Company shall set up the improvement plans, submit the relevant improvement plans to the audit committee and complete the improvement according to the schedule.
- III. The Company shall evaluate the lending funds situation, accrue adequate bad debt provisions, properly disclose the relevant information in the financial report and provide the relevant information to the CPAs to perform the necessary audit procedures.
- IV. Pursuant to Article 165-1 of the Securities and Exchange Act, the foreign company (hereinafter referred to as "foreign company") who engages in the lending of funds to others shall be subject to this procedure.

The foreign company's net worth stated in this procedure shall refer to the

equity attributable to the shareholders of the parent company in the balance sheet.

Article 17 Supplementary to Relevant Laws

The matters that are not covered in this procedure shall be subject to the relevant laws.

Article 18 Announcement and Implementation

The establishment or amendment of this procedure shall be approved by one-half or more of all members of the audit committee and shall be reported to the board of director for resolution, as well as reported to the shareholders' meeting for approval before implementation.

Provided that the preceding paragraph is not approved by one-half or more of all members of the audit committee, it may be approved by two-thirds or more of all directors before implementation, and shall state the resolution of the audit committee in the meeting minutes of the board of director.