

Everlight Electronics Co., Ltd.

Procedures for Loaning of Funds and Making of Endorsements/Guarantees

Chapter I General Principles

Article 1: To enhance management over the Company's fund loaning and endorsement/guarantee operations, the Procedures hereto is hereby stipulated in accordance with Article 36-1 of Securities and Exchange Act.

Article 2: Entities to which the company may loan funds:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

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 term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Company's short-term financing.

The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 8 and Article 10 concerning the setting of the amount limits and the durations of loans shall still apply.

Article 3: The term "endorsements/guarantees" as used in these Procedures refers to the following:

1. Financing endorsements/guarantees, including bill discount financing, endorsement or guarantee made to meet the financing needs of another company, issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
4. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.

Article 4:

The Company may make endorsements/guarantees for the following companies:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 5:

"Subsidiary" and "parent company" as referred to in these Procedures shall

be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where the Company's financial reports is prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 6: The term "announce and report" as used in these Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Article 6-1: A foreign company as specified under Article 165-1 of the Act ("foreign company") shall comply mutatis mutandis with these Procedures when making loans to, and endorsements or guarantees for, others.
If the foreign company does not have corporate chops, it may be exempted from application of the provisions of Article 16.
Net worth of a foreign company as calculated under these Procedures means the balance sheet equity attributable to the owners of the parent company.

Chapter II Operation Procedures

Section I Loans of Funds to Others

Article 7: Necessity and reasonableness of the loan:
Where funds are lent to a company or business with business relationships with the Company, such loans shall be granted in accordance with Article 8.2. Loans may be granted due to short-term financing need only under one of the following circumstances:

1. A Subsidiary of the Company of which the Company holds 50% or more of its shares having a business need for short-term financing; or

2. Where short-term financing is required for a company or business due to purchase of materials or operational needs; or
3. Where the loan is approved by the Board of Directors of the Company.

Article 8: The aggregate amount of loans and the maximum amount permitted to a single borrower:

1. The accumulated total of loans granted shall not exceed 40% of the net worth of the Company.
2. The amount of an individual loan granted by the Company to a company or business with business relationship with the Company shall not exceed the business transaction amount in the past year between the parties.
“Business transaction amount” refers to the amount of purchase or sale between the parties, whichever is higher.
3. Where funds are lent to a company or business with short-term financial need, and with the exception of those meeting Paragraph 4 of Article 2 hereto, each individual loan shall not exceed 10% of the net worth of the Company.

Article 9: Procedures for Granting of Loan:

1. Detailed Review Procedures :

The borrower shall provide required company information and financial information together with the written application for the loan to be submitted to the Company. Upon receipt of the application, the financial department of the Company shall investigate, evaluate and draft report on the business, financial condition, repayment capability, creditworthiness and profitability of the borrower as well as the purpose of the loan. The detailed evaluation to be conducted by the financial department shall include at least the following:

- (A) Necessity and reasonableness of the loan;
- (B) Necessity of such loan and the amount of loan in light of the borrower’s financial condition;
- (C) Whether the accumulated loan amount is within the loan limit;
- (D) The risk on the Company’s operation and financial conditions as well as the impact on the rights of the Members;

- (E) Whether collateral is required and appraisal on the value of the collateral; and
 - (F) Credit investigation and risk evaluation of the borrower shall be attached.
2. Securities
- In granting of loan, mortgage on real property or personal property shall be required where necessary. The abovementioned security may be substituted with guarantees by an individual or company with substantial assets at the Board's discretion based on the credit investigation report provided by the financial department. For guarantees made by a company, the articles of association of such company shall be checked for conformity.
3. Scope
- After the financial department has conducted a credit investigation, the term of each loan and relevant matters shall be submitted to the general manager for approval and further to the Board for its approval. No other person may be authorized to make such decision. The comments of each Independent Director shall be duly considered, and the concurring or objecting position of such Independent Director shall be clearly recorded in the Board meeting minutes, including any reason for objection.
- Loans between the Company and its parent company, or between the Company's subsidiaries, shall be submitted to the Board for approval pursuant to the foregoing. The Board may authorize the Chairman to make several loans or recurring loans to the same borrower to the extent within a specific amount and within a period no longer than one year.

Article 10:

Financing Period and Calculation of Interest:

1. Unless for a subsidiary on which the Company holds more than fifty percent of shares, period for each loan of fund shall not, in principle, exceed one hundred eighty days. In the event of special circumstances, loan period can be extended depending on actual circumstances after approval from the Board of Directors' Meeting is obtained accordingly.
2. For a subsidiary on which the Company holds ninety percent of shares, interest can be deducted depending on business condition. While interest

rates for other loans shall not be lower than the highest interest rate of the Company's short term loan raised from financial institution.

Collection of interest from the Company's loans extended shall be, in principle, one collection of interest per month. Adjustment can be made depending on actual needs in the event of special circumstances and after approval from the Board of Directors' Meeting is obtained accordingly.

Article 11: Subsequent Monitoring and Procedures for Dealing with Delinquencies for Approved Loans:

1. Once drawdown on a loan has been made, the financial, business and relevant credit conditions of the borrower and the guarantor shall be regularly monitored. Where collateral is provided, changes in its values shall be noted, and any material change thereto shall be immediately reported to the Chairman and be dealt with according to the relevant instruction.
2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrow or the cancellation of the mortgage registration
3. Borrower shall repay full amount of principal and interest upon expiration of loan period. In the event of failure to repay upon expiration and period extension is needed, application shall be made in advance. Loan period will be extended accordingly after approval from the Board of Directors' Meeting is obtained. Extension for each loan period shall not exceed three months and it is limited to one extension only. For cases failing to comply accordingly, the Company shall hereby be entitled to proceed with disposition and claim for damage compensation in accordance with laws over collateral provided as well as guarantor.

Article 12: Internal Audit:

1. A written record shall be established specifying the borrower, loan amount, date of Board approval, drawdown date, and any other matters required to be reviewed and evaluated by the Procedures.
2. The internal audit staff shall audit and evaluate the implementation of the Procedures at least on a quarterly basis and prepare written record of

such audit. In the event that a material violation is discovered, the Independent Directors of the Audit Committee shall be notified in writing immediately and sanctions shall be taken against the responsible manager and supervisor.

3. If due to a change of circumstances of the Company, the borrower becomes non-conforming with the Procedures or if the outstanding balance of the loan exceeds the limit required thereof, an improvement plan shall be adopted and submitted to the Supervisors. The improvement plan shall be executed in accordance with the timeline specified therein.

Section II Endorsements/Guarantees for Others

Article 13: Amount for Endorsements/Guarantees

Endorsement/guarantee liability total amount for the Company, the Company and subsidiary shall be limited to fifty percent of the Company's net value. Limits to a single enterprise shall be stipulated respectively in accordance with situations hereunder:

1. For an enterprise to which the Company holds more than fifty percent of shares, it is limited to twenty percent of the Company's net value;
2. For an enterprise to which the Company holds less than fifty percent of shares, it is limited to ten percent of the Company's net value.

Article 14: Determination and Authorization:

1. Endorsements/Guarantees by the Company shall be approved by resolutions of the Board. However, the Board may authorize the Chairman of the Board to make decision within certain authorized amount. The Chairman of the Board's authority for each guarantee amount shall not exceed five percent of the Company's net value. For case of subsequent recognition obtained after endorsement/guarantee is made in accordance with the preceding article, recognition request shall be submitted to the Board within three months.
2. Prior to the making of endorsements/guarantees between such companies of which the Company directly or indirectly holds 90% or

more of voting shares pursuant to the item 2 of Article 3, the Board's approval must be obtained except for endorsements/guarantees between such companies of which the Company directly or indirectly holds 100% of voting shares.

3. In case the Company needs to conduct endorsement/guarantee in excess of the limits set out in these Procedures to satisfy its business requirements, the Company shall obtain approval from the Board and half or more of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. The Company shall also amend these Procedures and submit the same to the general meeting for ratification after the fact. If the general meeting does not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

Article 15

Procedures for Making Endorsements/Guarantees:

1. The entity for which the endorsement/guarantee is made shall complete and submit an "Endorsement/Guarantee Application" to the financial department of the Company. The financial department shall evaluate the risk and prepare written record to be approved by the general manager and implemented in accordance with the resolutions of the Board. The financial department shall conduct credit investigation on the entity for which endorsement/guarantee is made and conduct risk evaluation, which shall include the following:
 - (1) The necessity of and reasonableness of the endorsements/guarantees.
 - (2) The credit status and risk assessment of the entity for which an endorsement/guarantee is made.
 - (3) Impact on the company's business operations, financial condition, and shareholders' equity.
 - (4) Whether collateral must be obtained and appraisal of the value thereof.
2. The financial department shall prepare a memorandum book for the Company's endorsement/guarantee activities and record in detail the

following information for the record: the business or company for which the endorsement/guarantee is made, matters of endorsement/guarantee, result of risk evaluation, the amount, the date of Board approval or of authorization by the Chairman, content of the collateral as well as terms and date for discharge of liability

3. If the subject of endorsements/guarantees is a subsidiary whose net value is lower than fifty percent of its paid-in capital, financial department of the Company shall determine the subsequent measures for control and management.
4. The internal audit staff of the Company shall at least on a quarterly basis audit the implementation and execution of these Procedures and shall prepare a written record. The internal audit staff shall immediately notify the Independent Directors of the Audit Committee in writing upon discovery of any material violation. In case of material violation, the manager or person-in-charge shall be sanctioned depending on the seriousness of the offense.
5. If, as a result of changes of condition, the entity for which an endorsement/guarantee is made no longer satisfies the requirements of these Procedures or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt improvement plans and submit the improvement plans to the Independent Directors for review, and shall complete the improvement according to the timeframe set out in the plan.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under paragraph 3 of the preceding article, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 16:

Safekeeping and Procedures for Chop

1. The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures. Engagement, discharge or modification of chop custodian shall be submitted to the Board for

approval and shall be reported to the Financial Supervisory Commission of Executive Yuan.

2. When making a guarantee for a foreign company, the Company shall have the guarantee agreement signed by a person authorized by the Board.

Article 17: Public Disclosure of Information:

1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
2. In the event that the Company's loans of funds reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not the Company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

Article 18: The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Section II Endorsements/Guarantees for Others

Article 19: Public Disclosure of Information:

1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
2. In the event that the Company's balance of endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
 - (4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not the Company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

Article 20: The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on

endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

Chapter IV Supplemental Provisions

Article 21: In the event that the Company's subsidiary intends to loan funds to others or to offer endorsement or guarantee to others, the Company shall therefore order such subsidiary to follow requirements of operation procedures hereto and stipulate fund lending and endorsement/guarantee operation procedures with which loan operation shall comply accordingly during implementation.

Article 22: Matters not prescribed in operation procedures hereto shall be implemented in accordance with related laws and the Company's related guidelines and rules.

Article 23: The Procedures for Loaning of Funds and Making of Endorsements/Guarantees shall be effective upon approval by the Board and review of the supervisors, subject to the Ordinary Resolution in the general meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.

When submitting the above said Procedures for Loaning of Funds and Making of Endorsements/Guarantees for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Where Everlight has established an audit committee, the audit committee shall exercise its functional duties under Article 14-5 of the Securities and Exchange Act. The provisions regarding supervisor in this regulation shall apply mutatis mutandis to the audit committee.