

TAISUN INT'L (HOLDING) CORP.

Procedures for Lending of Capital

Date of enactment: Wednesday, December 31, 2014

Article 1: Purpose

This Procedure is enacted in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the Financial Supervisory Commission ("FSC") to strengthen TAISUN's internal management, make information publicly available and reduce operational risks. TAISUN always follows this Procedure to lend its funds to others, unless otherwise provided by other applicable laws and regulations.

Article 2: Entities to which the Company may loan funds

- (I) The Company or its subsidiaries shall not loan funds to any of its shareholders or any other person except under the following circumstances:
 - 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% of the lender's net worth.
- (II) The term "short-term" as used in the preceding paragraph is a time period of one year. However, if a company's operating cycle is longer than one year, the operating cycle shall prevail.
- (III) The term "Financing Amount" as used in Subparagraph 2, Paragraph 1 of this article means the cumulative balance of TAISUN's short-term financing.
- (IV) The restriction in Subparagraph 2, Paragraph 1 of this article 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, but such inter-company loans of funds shall be subject to Article 4 and Article 5 of this Procedure.

Article 3: Evaluation Standards for Loaning Funds to Others

- (I) If a loan is to be granted due to the business transactions between both parties, evaluate pursuant to Article 4 hereof whether the loan

amount corresponds to the amount of such business transactions between both parties.

- (II) In case of any short-term financing need, the reason for loan and circumstances should be subject to Article 4 hereof.
- (III) The undertaker shall implement the review procedure as specified in Article 6 and check whether the aforesaid evaluation standards are met.

Article 4: The Aggregate Amount of Loans and the Maximum Amount Permitted to a Single Borrower

- (I) The amount of an individual loan granted by TAISUN to a company or business with business relationship with TAISUN shall not exceed the business transaction amount between the parties; the total amount of such loans shall not exceed twenty percent (20%) of the current net worth. "Business Transaction Amount" refers to the amount of purchase or sale between the parties in the past year, whichever is higher.
- (II) Where funds are lent to a company or business with short-term financial need, each individual loan shall not exceed twenty percent (20%) of the current net worth; the total amount of such loans shall not exceed forty percent (40%) of the current net worth.
- (III) Each inter-company loan of funds between foreign companies in which TAISUN holds, directly or indirectly, 100% of the voting shares shall not exceed twenty percent (20%) of the current net worth of the lender; the total amount of such loans shall not exceed fifty percent (50%) of the current net worth of the lender.

Article 5: Duration of Loans and Calculation of Interest

- (I) The term of each loan extended by TAISUN shall not exceed one year. Under any special circumstance, TAISUN may extend the term of the loan with the approval of the board of directors as the case may be. Each inter-company loan of funds between foreign companies in which TAISUN holds, directly or indirectly, 100% of the voting shares shall not exceed two years. Under any special circumstance, the term of the loan may be extended with the approval of the the lender's board of directors as the case may be.
- (II) The interest of funds loaned will be calculated on a daily basis, i.e.

daily interest = daily loan balances x annual interest rate ÷ 365.
The annual interest rate shall not be lower than the average bank short-term loan interest rate indicated in TAISUN's financial statements in the most recent year.

- (III) Unless particularly provided, the interest of any loan granted should be paid on a monthly basis.

Article 6: Procedures for Handling Loans of Funds and Review Procedures

(I) Application

Any borrower, when applying for a loan from TAISUN, shall submit an application to TAISUN's Financial Division describing in detail the purpose, term and loan amount requested, together with certain basic information and financial data.

(II) Credit Checking

1. In case of the first application for a loan, the Financial Division shall carry out credit checking based on the basic information and financial data submitted by the borrower.
2. In case of subsequent applications for loans, typically credit checking shall be carried out again when such application is filed. For a significant event or emergency, such application will be handled as needed.
3. If a borrower has a good financial position and the financing attestation is made available by the CPA concerning its financial statements, the credit checking report which has expired for less than a year can be used. Such credit checking report and the CPA's audit and attestation report for the period should be regarded as references for the granting of a loan.
4. The granting of a loan to a subsidiary in which TAISUN holds 100% voting rights directly or indirectly is not subject to the aforesaid rules for credit checking.

(III) Examination and Evaluation

1. In addition to the credit checking for the borrowers as stated in Paragraph 2, TAISUN shall also evaluate any operational risks arising from the granting of loans as well as the impacts on TAISUN's financial position and the shareholder's equity.

2. If a loan is to be granted due to the business transactions between both parties, evaluate whether the loan amount corresponds to the amount of such business transactions between both parties. Upon careful evaluation as per this Procedure, the officer of the Financial Division shall submit relevant information and the proposed terms of loan to the board of directors for approval by the grade, and shall not authorize anyone else to make a decision.
3. The lending of funds between TAISUN and its parent or subsidiary, or between TAISUN's subsidiaries shall be reported to the board of directors under the foregoing paragraph. The board of directors may authorize the Chairman to approve each installment or revolving credit not exceeding the amount limit resolved by the board of directors for a period not longer than one year.
4. "Specific Amount" as referred to above shall mean that the authorized amount of loans by TAISUN or its subsidiaries to an individual entity shall not exceed 10% of TAISUN or such subsidiary's net worth in the latest financial statements, except loans satisfying Sub-clause 2.4.
5. If TAISUN has established independent directors, the opinions of the independent directors must be fully considered during capital loans, and the approval or disapproval votes as well as the rationales for the disapprovals shall be included into the board of directors records.

(IV) Approval of Loans and Notice

1. If the Financial Division considers an application for loan inappropriate upon credit checking and evaluation, or such application was rejected by the board of directors, the officer shall reply to the borrower concerning the reason for rejection.
2. If an application for loan is approved by the board of directors, the officer shall inform the borrower via written correspondence as soon as possible, describing in detail TAISUN's terms of loan, including the limit, term, interest rate, collateral and guarantor, etc; the borrower will be required to sign a loan contract within the time limit.

(V) Execution of Contract and Establishment of Collateral Right

1. TAISUN will sign a loan contract with the borrower, expressly defining the rights and obligations of the lender and the borrower. Both the borrower and the joint guarantor shall place their signatures on the contract. TAISUN's officer will properly handle the procedures where the lender confirms that the borrower or guarantor signs the loan or guarantee contract.
2. If any collateral is required, the borrower shall be required to handle the pledge or mortgage formalities. TAISUN shall also evaluate the value of collateral to ensure its own claim.
3. Except for lands and securities, the pledged or mortgaged property shall be covered under a fire insurance or relevant policy. TAISUN shall be the named beneficiary on the policy, provided that the insurance amount is not less than the amount of the pledge collateral. The title, quantity, location, insurance conditions and endorsement of the subject matter stated in the insurance policy should be consistent with TAISUN's original conditions of loan approval.
4. To ensure that the borrower can repay such loan within the term agreed, TAISUN may request the borrower to issue TAISUN a promissory note in an amount equivalent to that of the loan, without an expiry date, made with TAISUN as payee, with a waiver of protest and the time limit for presentment extended for one year, as the case may be. Once such loan is repaid off, such promissory note will be returned to the borrower.

(VI) Lending

Once the terms of loan are approved as provided in Paragraph 1 through 3 and all the formalities are handled as per the foregoing procedure, the loan can be lent. The cheque payable should be crossed, with a statement for forbidding endorsement transfer, or shall be directly remitted into the company's designated account.

(VII) Record and Retention

1. For processing the lending of funds, TAISUN shall prepare and maintain the record which shall set forth the borrower of funds, amount, date of the board resolution, date the loan was made,

and include the prudent evaluations required under this operating procedure.

2. The officers in charge of the lending of loans, after lending any loan, shall sort up and place the claim evidence (e.g. promissory note, receipt for a loan), collateral certificate, insurance policy and correspondence into a bag for articles under custody, on the cover of which the article description and the customer's name should be identified, and which should be delivered to the supervisor of the Financial Division for inspection, concerning respective cases; after no error is found after inspection, such bag will be sealed and both parties shall place their signatures and stamps on the register of articles under custody.

Article 7: Subsequent Measures for Management of Loans, and Procedures for Handling Delinquent Creditor's Rights

- (I) After a loan is extended, it is necessary to pay frequent attention to the financial status, business condition and credit standing of the borrower and joint guarantor. If any collateral is provided, it is also required to pay attention to any change in its value; if the collateral value experiences any falling price, the borrower shall be informed to make up the difference as soon as possible. The borrower shall also be informed to repay the principal and pay the interest on schedule one month prior to the expiry of such loan.
- (II) If the borrower repays the loan at maturity or before maturity, the payable interest must first be calculated. After the interest and the principal have been settled, the promissory notes and other creditor rights can be written off and returned to the borrower.
- (III) If the borrower applies for writing off the mortgage, determine whether there is a loan balance first before deciding whether to agree upon the mortgage writing-off.
- (IV) If the borrower has the need for extending the loan term, the borrower can apply for renewal of the loan contract once, provided that such application has been filed prior to the expiry thereof and approved by TAISUN's board of directors; in this case, relevant formalities should be handled again.
- (V) Where the borrower fails to repay the principal or pay any interest as scheduled, TAISUN's officer shall promptly notify the

management to press for the payment thereof, perform the disposal or punishment procedures appropriately concerning the collateral or the guarantor, and file a claim for recovery. A legal counsel shall be consulted to provide a solution, or an attorney shall be commissioned to take legal action if necessary, so as to protect TAISUN's claim.

Article 8: Disclosure of Information

Once TAISUN has made a public offering of shares, the disclosure of information shall be fulfilled as stated below:

- (I) TAISUN shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
- (II) TAISUN whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence of the fact:
 1. The balance of lending of funds made by TAISUN and its subsidiaries exceeds 20% of TAISUN's net worth in its most recent financial statements.
 2. The balance of lending of funds made by TAISUN and its subsidiaries to a single corporate exceeds 10% of that TAISUN's net worth in its most recent financial statements.
 3. The capital loans balance added by TAISUN or its subsidiaries has exceeded NT\$10 million and exceeded 2% of TAISUN's latest financial statement net worth.
- (III) If TAISUN's subsidiary is not a domestic public company and such subsidiary has matters to be announced and reported as set out in the preceding paragraphs, such announcement and reporting shall be done by TAISUN.
- (IV) TAISUN shall evaluate the status of the lending of funds, and allocate sufficient allowance for bad debts. TAISUN shall adequately disclose the information in its financial report, and provide the information to the CPA to allow them to perform the necessary audit process.

Article 9: Precautionary Items for Issuing Capital Loans to Others

- (I) The internal auditors shall at least audit the procedure and the

practices of the lending of funds at least on a quarterly basis, and maintain the written records. Any material violation shall be notified to each supervisor in writing.

- (II) Should a borrower no longer satisfy the Procedure or there be any excess over the lending limit due to unexpected changes of TAISUN, a corrective plan has to be provided for each supervisor and the proposed corrective actions should be implemented within the period specified in such plan.

Article 10: Procedures for Managing Loans to Others by Subsidiaries

- (I) Where a subsidiary of TAISUN proposes to lend funds to a third party, TAISUN shall require the subsidiary to establish procedures for lending funds in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and shall conform to such procedure.
- (II) Each of TAISUN's subsidiary shall prepare and submit to TAISUN the statement of lending of funds made for other parties in the previous month no later than the 10th day (excluded) of each month.
- (III) Internal auditors of the subsidiary shall perform auditing on the "Procedure for Loans to Others" and the implementation thereof at least once per quarter and prepare the written record. If any material violation is identified, the subsidiary's supervisors and TAISUN's audit unit shall be promptly informed in writing.
- (IV) When TAISUN's auditors are auditing the subsidiaries, the auditors must understand the subsidiaries' implementation of the procedures for capital loans to others. If any defect is found, the auditors shall continue to track the improvement and submit reports to the President.

Article 11: Penalty

Where any officer or manager in charge of lending TAISUN's funds to a third party violates the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the Financial Supervisory Commission ("FSC") or this Procedure, the punishment will be imposed on such officer or manager based on the severity of the violation, including verbal and written warning and mandatory training program on the internal

control system; the line manager or the supervisor shall impose appropriate penalties pursuant to TAISUN's rules and regulations. Such violation record will be taken into consideration during the annual individual performance assessment. In case of repeated or severe violations, the person involved will be transferred to another post.

Article 12: Other Information

- (I) The subsidiary or parent referred to in this Procedure is recognized pursuant to the provisions provided by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
- (II) The "Net Worth" referred to in the Procedure shall mean the equity of balance sheet attributable to the parent operations according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (III) "Reporting and Announcement" in this Procedure refers to entry into the information reporting website of the Financial Supervisory Commission.
- (IV) The term "Date of Occurrence of the Fact" as used in the Procedure refers to the date of contract signing, date of payment, dates of resolutions of the board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Article 13: Applicable Scope of the Authority of Audit Committee

The supervisor-related provisions provided in the Procedure shall be applied to the Audit Committee.

Article 14: Implementation and Amendment

- (I) Where TAISUN plans to lend its funds to others, the Procedure shall be prepared as stipulated and shall be submitted to the supervisors and reported at the shareholders meeting for approval after it is accepted by the board of directors. If any director has an objection which is recorded or stated in writing, such objection shall be submitted to the supervisors and reported at the general meeting of shareholders for discussion. This rule is also applicable to the amendment thereof.

- (II) If TAISUN has appointed any independent director, TAISUN shall fully consider the opinion of each independent director when this "Procedures for Lending of Capital" is submitted to the board of directors for discussion pursuant to the foregoing paragraph, and specify the specific consenting or dissenting opinions, and the reasons of dissent in the minutes of the Board meeting.
- (III) If TAISUN has no future plan to lend its funds to others, this Procedure may not be prepared after this is reported to and approved by the board of directors. Where TAISUN intends to lend its funds to others subsequently, the preceding two paragraphs shall still apply.