



Approved by the Ordinary Shareholders Meeting 18 June 2010

HTC Corporation Operational Procedures for Lending Funds to Others

Article 1 Purpose and basis

These Operational Procedures are adopted pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by the Securities and Futures Bureau under the Financial Supervisory Commission, to ensure the Company's sound management of funds and to minimize operational risks.

Article 2 Recipients of loans of funds and assessment standards

The Company may lend funds only to a company or firm with which the Company does business or which is in need of short-term financing. Lending of funds because of a need for short-term financing may be done under the following circumstances only:

1. To a company in which the Company directly or indirectly holds 3 percent or more of the shares, and which is in need of short-term financing in connection with financial and operational demands.
2. To another company or firm that is in need of short-term financing in connection with materials purchasing or operational needs.
3. Any other recipient to which the Company's board of directors approves a loan of funds.

Article 3 Total amount of funds lending and limits for individual recipients

The total amount of the Company's loans of funds to others may not exceed 40 percent of the Company's net worth.

When lending funds to other companies or firms with which the Company has business relations, the amount lent to a single recipient may not exceed the amount of the business transacted between the two parties in the most recent year, and may not exceed 40 percent of the Company's net worth. The "amount of the business transacted between the two parties" means the operating revenue and service revenue for goods sold or services provided, or the amount spent on purchases of goods and expenditures for services, whichever is higher, in the course of regular business activities between the two companies.



The cumulative amount lent to a single company or firm in need of short-term financing may not exceed 20 percent of the Company's net worth.

In the lending of funds between overseas companies in which the Company directly and/or indirectly holds 100 percent of the voting shares, the amount of financing is not subject to the restriction that it may not exceed 40 percent of the net value of the lender's net worth, unless the law of the place where such an overseas company is located provides otherwise.

Article 4 Duration of loans of funds and calculation of interest

Loans of funds in principle shall take the form of short-term financing. The maximum duration may not exceed one year or one operating cycle (whichever is longer). Interest shall be calculated at the stipulated interest rate for the loan period. However, the interest rate may not be lower than the short-term bank lending rate or the money market interest rate on the loan date.

The lending of funds between overseas companies in which the Company directly and/or indirectly holds 100 percent of the voting shares is not subject to the restrictions on lending period set out in this Article, unless the law of the place where such an overseas company is located provides otherwise.

Article 5 Review procedures

When lending funds to another, the responsible unit shall establish credit and risk assessment data and assess in detail the necessity and reasonableness of the loan to the other, and its impact on the Company's operational risk, financial condition, and shareholders equity, as well as whether collateral shall be obtained and the assessed value of the collateral. The assessment results shall be reported to the president and the chairman of the board of directors for approval, and submitted to the board of directors for a resolution before the loan may be made.

When lending funds to a subsidiary of the Company, in addition to submission of the assessment results to the board of directors for a resolution pursuant to the preceding paragraph, authorization may also be given to the chairman, within a certain amount limit resolved by the board of directors, for a specific borrowing counterparty and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down, provided that the authorized amount limit may not exceed 10 percent of the Company's net worth as stated on its most recent financial statement.

Article 6 Notice to the borrower

Upon approval of a loan case, the responsible unit shall promptly inform the borrower by letter or telephone, and describe in detail the Company's lending terms and conditions, including the amount, duration, interest rate, collateral, and guarantor requirements. The borrower shall, within the time limit, sign the loan agreement and carry out the procedures to create a pledge (or mortgage) on the collateral and for verification and signing of the guarantor, as grounds for disbursing the funds.

Article 7 Verification of the parties and signing of the agreement

1. The personnel responsible for handling the loan case shall draw up the terms and conditions of the lending agreement. The agreement shall be signed after the supervisory personnel have reviewed it and submitted it for review and discussion with legal consultants.
2. The content of the lending agreement shall conform to the terms and conditions approved for the loan. After the borrower and the joint and several guarantor have signed the loan agreement, the responsible personnel shall complete the procedures for verifying and documenting the identities of the borrower and guarantor.

Article 8 Security

To protect the Company's creditors rights, for financing to an unaffiliated enterprise, in addition to complying with Article 5, a promissory note shall be obtained as security. When necessary, an appropriate mortgage of real property or personal property shall be created.

Article 9 Disbursement of funds

Once a lending case has been approved and the borrower has signed the agreement and delivered the promissory note (or instruments for repayment by installment), and completed registration of the mortgage (or pledge) of the collateral, and all of the procedures have been checked and found to be correct, the funds may be disbursed.

Article 10 Follow-up control measures for funds lent and procedures for handling non-performing loans

After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be monitored for any changes in the collateral value. In the event of any material change, it shall



immediately be reported to the chairman of the board of directors, and appropriate measures shall be taken in accordance with the chairman's instructions.

If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note may be cancelled and returned to the borrower or the mortgage cancelled. When a loan becomes due, the borrower shall promptly repay the principal and interest in full. If the borrower is unable to make repayment on the due date and deferral is required, the application for deferral shall be made in advance, and submitted to the board of directors for approval before implementation. For any given repayment, deferral shall not exceed six months, and no more than two deferrals may be given. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.

Article 11 Procedures for Controlling Lending of Funds by Subsidiaries

1. If a subsidiary of the Company intends to lend funds to others, the Company shall order the subsidiary to adopt operational procedures for lending funds to others pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by the Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan, and any lending shall be done in compliance with those operational procedures.
2. When lending funds to others, a subsidiary shall provide relevant materials to the parent Company, and shall give consideration to the opinions of the related personnel in the parent Company before proceeding with the loan of funds.
3. After disbursing loans of funds, the subsidiary shall regularly submit follow-up reports to the parent Company on the status of outstanding loans.
4. The subsidiary shall self-inspect whether the procedures adopted by it comply with the applicable regulations and whether its funds lending transactions are handled in accordance with the procedures adopted by it.

Article 12 Establishing a log book

The Company shall establish a log book for matters relating to funds lending, and shall record the details of the recipients, amounts, date of passage by the board of directors, loan dates, and assessment results data for all loans of funds in the log book for future reference.

Article 13 Handling of changes in circumstances

When as a result of a change in circumstances a loan recipient is not in compliance with the requirements of these Operational Procedures or the balance of a loan(s) exceeds the limit, the Company shall adopt a corrective plan and submit the corrective plan to all the supervisors, and shall complete the corrections in compliance with the plan schedule.

Article 14 Information disclosures

1. The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month.
2. If the Company's loans of funds reach one of the following levels, the Company shall announce and report such fact within two days from its occurrence:
 - (1) The balance of loans of funds by the Company and the Company's subsidiaries to others reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of loans of funds by the Company and the Company's 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 any of the Company's subsidiaries reaches NT\$10 million or more and also 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 of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

3. The Company shall evaluate the status of loans of funds according to generally accepted accounting principles, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.

Article 15 Auditing

The internal audit personnel of the Company shall handle the following matters. If any material violation is found, it shall immediately be reported in writing to all of the supervisors:

1. At least quarterly, audit the Company's operational procedures for loans of funds to others and



the status of implementation thereof, and prepare a written record.

2. Review the self-inspection reports of subsidiaries.

Article 16 Penalties

When a managerial officer or in-charge personnel of the Company violate the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by the Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan or these Procedures, the auditors or the supervisory personnel with authority thereover shall immediately report the circumstances of the violation to the president or the board of directors. The president or the board of directors shall, depending on the materiality of the circumstances, impose appropriate penalties on the personnel involved.

Article 17 Amendments to these Procedures

After passage by the Board of Directors, these Procedures shall be sent to all supervisors and submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall forward the director's objection to all supervisors and submit it to the shareholders meeting for discussion. The same procedures shall apply to any amendments to these Procedures.

If the Company has appointed an independent director(s), the opinions of each independent director shall be given full consideration when the matter is submitted for discussion by the board of directors, and each independent director's explicit assenting or dissenting opinion and reasons for dissent shall be recorded in the board of directors meeting minutes. The aforesaid Procedures shall be complied with when lending funds to others.