

Realtek Semiconductor Corporation
Procedures for Endorsement & Guarantee

Chapter I : General purposes

In order to comply with regulations with regards to the procedures of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, this loan procedure is therefore set up.

Chapter 2 : Contents

Article 1 The applicable range of this loan procedure

1. Financing endorsements/guarantees, including:
 - (1) Bill discount financing.
 - (2) Endorsement or guarantee made to meet the financing needs of another company.
 - (3) 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 2 Counterparties

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 or indirectly holds more than 50 percent of the voting shares.
3. A company which directly or indirectly holds more than 50 percent of the Company’s voting shares.

Other 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. However, this rule shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Under the condition of capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, 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.

Realtek Semiconductor Corporation
Procedures for Endorsement & Guarantee

Article 3: Amount of Endorsements and Guarantees

1. The ceilings on the total amount of endorsements/ guarantees that the Company and the subsidiary are permitted to make can not exceed 50% of the Company's net worth reported in the latest financial statement. The endorsements/ guarantees for individual company shall not exceed 50% of the Company's net worth.
2. In addition to the regulation mentioned in "1.; The endorsements/ guarantees for individual company shall not exceed the amount of the money that the Company does business with the Browser. The amount of business refers to the amount of buying or selling, whichever is higher.

Article 4 Endorsements/Guarantees and Review procedures

1. Before implementing an endorsement, the financial department of the Company shall survey whether such endorsement conforms to the formality required by the Procedures and the procedure of this article, and make any necessary financial risk evaluations. The evaluation results shall be submitted to the Audit Committee and Board of directors before the Endorsement is made. If necessary, determining whether collateral must be obtained.
2. The financial department shall conduct credit investigation and risk assessment. The evaluation shall include the following:
 - (1)The necessity and reasonableness of endorsements/guarantees.
 - (2)Check if the accumulated amount of endorsements is still within the limit range set hereunder,
 - (3)Investigate the impact of the endorsement on the Company's business operation, financial condition and shareholder's equity.
 - (4)Determine whether collateral must be obtained and appraisal of the value thereof based on the risk taken by the Company for the endorsement.
3. Before making the Endorsements/Guarantees for the subsidiary (where the Company directly or indirectly holds more than 90 percent of the voting shares), according to the item 2 in Article 2 , the related document shall be submitted to the Audit Committee and members of board director for approval. However, the aforementioned rule doesn't apply for the subsidiary where the Company directly or indirectly holds 100 percent of the voting shares.

If the recipient of the Endorsements/Guarantees is the subsidiary and its net of worth is less than half of its capital, the financial department shall keep monitoring the financial status, business, and credit. If collaterals are provided, collaterals' value shall be monitored closely. The financial department shall report the Chairman of the board when the status of the collaterals changes and take appropriate actions per direction of the Chairman of the board.

Realtek Semiconductor Corporation
Procedures for Endorsement & Guarantee

Board of directors may authorize the Chairman of the board to give Endorsements/Guarantees which is less than 10% of recently reported financial statement. Chief of Executive Officer shall report to member of board directors later.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the calculation is based on the sum of the share capital plus paid-in capital in excess of par.

4. Where the Company needs to exceed the loan credit set out in these Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in these Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the Audit Committee and submit them for approval by board of directors 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. It shall also amend these Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time.
5. 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.
6. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by the person authorized by the board of directors.
7. If the endorsement or guarantee needs to be cancelled due to performance of debt or change of note as a result of extension of the term, the endorsed company shall deliver a formal letter with relevant documents to the financial department for cancellation, and the relevant document shall put a stamp of "Rescind" on it. In addition, the application letter shall be kept in file for reference.

Article 5: Internal control

1. When the Company makes a loan, a memorandum book is required to prepare so that the recipient of the loan, the amount of the loan, the approval date by the board of directors, lending/borrowing date. The evaluation should be based on Article 4.2.
2. The company's internal auditors shall audit the "Operational Procedures for Loaning Funds to Others" and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found. Shall there be any violation of laws or this regulation, discipline will be made depending on the degree of violation.
3. If, as a result of a change in circumstances, an entity for which an

Realtek Semiconductor Corporation
Procedures for Endorsement & Guarantee

endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, The Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.

Article 6 Information Disclosure

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. The Company whose balance of endorsements/guarantees reaches one of the following levels 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 stated in the latest financial statement.
3. The balance of endorsements/ guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of the 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 a public 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.

Date of occurrence in these Regulations 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 endorsement/guarantee, whichever date is earlier.

Chapter 3: Miscellaneous

1. Where a subsidiary of The Company intends to make loans to others, The Company shall instruct the subsidiary to formulate its own Operational Procedures for Loaning Funds to Others in compliance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. Subsidiaries shall follow the regulations when lending the funds. The subsidiaries shall report the amount,

Realtek Semiconductor Corporation
Procedures for Endorsement & Guarantee

counterpart and time limit of the lent funds to the parent company, After the Company evaluates and approves the application, and then the subsidiary can exercise endorsements/ guarantees to other parties.

2. The Company shall adhere to the generally accepted international accounting principles to evaluate its loan status, make a sufficient provision against bad debts, disclose relevant information in its financial statements, and provide external auditors with necessary information for the account to conduct auditing.
3. Subsidiary” and “Parent company” shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Net Value” mentioned in the Procedure is defined as the balance sheet equity attributable to the holders of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Chapter 4

The effectiveness, revision, and resolution method of this regulation

This procedure shall become effective upon approval by Audit Committee and the Board of Directors and be reported to the shareholders meeting. Any amendment is subject to the same procedure.

The Procedure and corresponding regulation shall be approved by Audit Committee. The approval shall be more than half of members from Audit Committee. If fewer than half of members from Audit Committee approve this Procedure, two third of the Board of Directors shall approve this Procedure with written declaration in meeting of Board of Directors.

Opinions from independent directors shall be thoroughly considered during discussion and their opposing opinions or reservations shall be recorded in meeting minutes. If any member of the independent Board of Directors objects to it with a record or written declaration, the Company shall present it to the meeting of shareholders for discussion. The members of audit committee and members of board directors refer to the current incumbent members.