

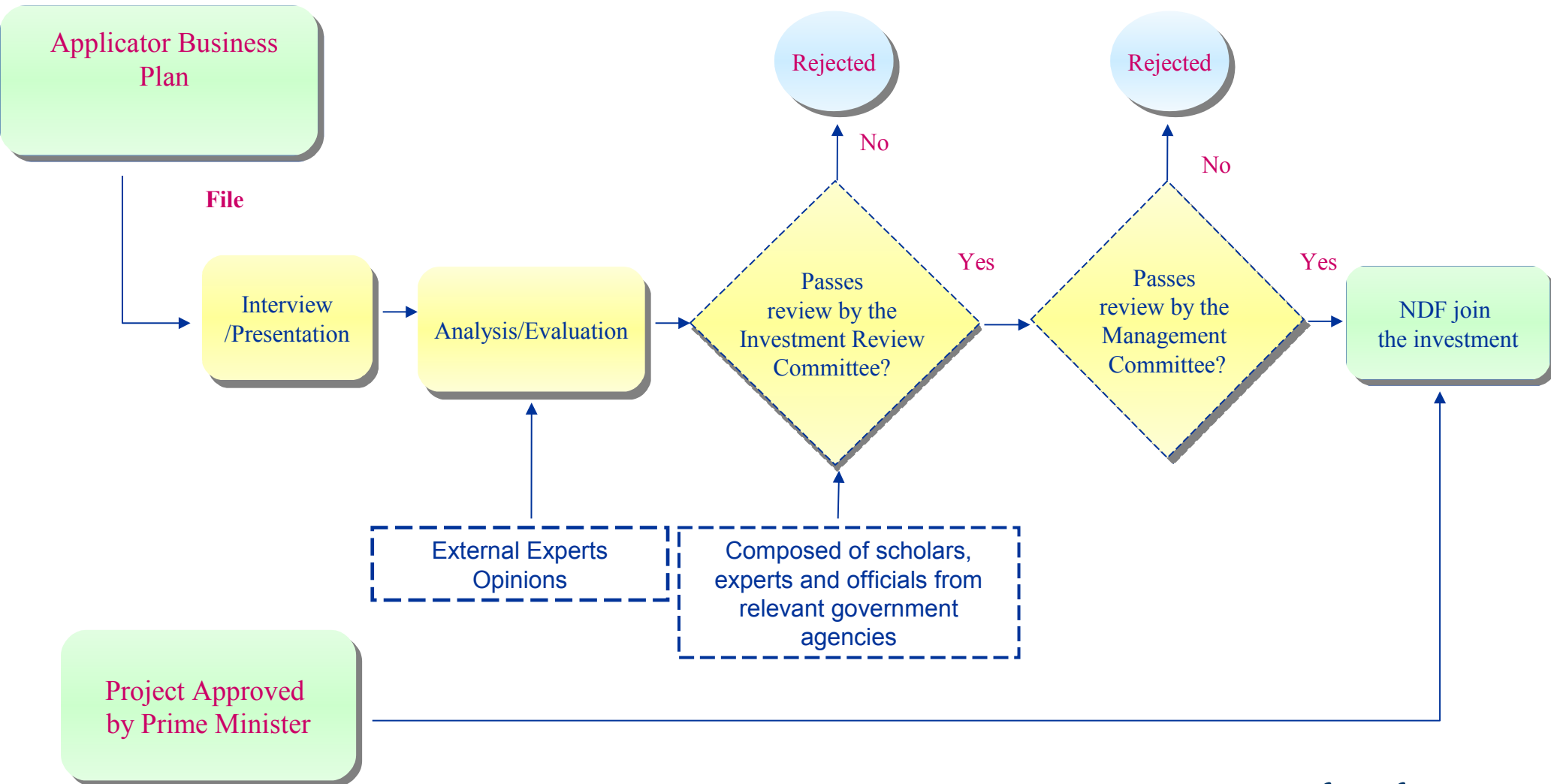
**Brief Introduction to Applying for Investment by
the National Development Fund (NDF)**

1. Application for Direct Investment
2. Application for VC Investment

**Appendix 1: Contact Windows for the MOEA's Subsidy Program and the CEPD's
Medium-Term and Long-Term Funding (Special Project Financing)**

Appendix 2: The NDF's Loan Financing Programs

1-1: Flow Chart of Application for Direct Investment by the NDF



1-2: Procedure and Related Forms for Applying for Investment by the NDF

Excerpted from the Operational Rules for Investment by the NDF

1. Investment application	2. Screening to determine whether it matches the principles for the Fund's utilization	3. Evaluation by external experts / internal review
<p>Flow Chart for Evaluation of Direct Investment</p> <p>Drafting of Record of Interview</p> <p>Completion of Interview-Stage Basic Data Form</p> <p>Filling in of Pre-investment Execution Progress Form</p>	<p>Arrangement of Briefing</p> <p>Submission of Formal Investment Application Letter to the NDF</p>	<p>Submitting abstract of Business Plan</p> <p>Submitting full version of Business Plan</p> <p>Endorsement by external experts</p> <p>External experts sign declaration of confidentiality</p>
4. Carrying out of evaluation analysis	5. Submission to Investment Review Committee and Management Committee	6. Implementation of review outcome / appropriation of funds
<p>Composition of Investment Evaluation Report</p>	<p>Convening of Investment Review Committee meeting</p> <p>Signing of Co-investment Agreement</p>	<p>Implementation of Appropriation Process</p> <p>Conducting Designation of Representation on Board of Directors</p> <p>Establishing Post-investment Management file</p>

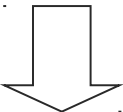
1-3: Rules for Convening Meetings of the NDF's Investment Review Committee

Conditions for Convening Meetings of the Investment Review Committee

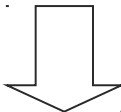
3rd revision approved by Management Committee on July 3, 2007

6~8 general members

Industry members (number will vary for different industries)
Example: 7 members for the digital content and cultural & creative industry
(The number of members for other industries is shown on the following page)



At least half of each in attendance
(General & industry members counted separately)



Attendance of general members
 ≥ 3 members ($1/2 \times 6\sim 8$)

Example: Digital content and cultural & creative industry members
Attendance ≥ 4 members ($1/2 \times 7$)

Meeting assembled

1-4: Industry Categories of Investment Review Committee Meetings, and the Respective Numbers of Industry Members for Each

1. Electronics and information: 8 members.
2. Electromechanical and transportation
3. Chemicals and materials: 7 members.
4. Biotechnology and health: 8 members.
5. Nanotechnology
6. Digital content and cultural & creative industry: 7 members.
7. Global positioning: 6 members.
8. Sustainable development: 7 members.

1-5: Voting Rules for Investment Review Committee Meetings

Particulars of investment case	Approval ratio	$> 1/2$	$\geq 2/3$
1. Amount of investment applied for from NDF		\leq NT\$1 billion	$>$ NT\$1 billion
2. Ratio of amount to be raised this time		$\leq 30\%$	$> 30\%$
3. Proposed ownership structure of investment company		Shareholding ratio of single entity $\leq 50\%$	Shareholding ratio of single entity $> 50\%$
4. Share price		\leq NT\$20	$>$ NT\$20
5. Percentage of technical shares (or stock options for technical or management team)		$\leq 20\%$	$> 20\%$

Note: If any one of these five conditions applies, a vote of approval will require agreement by two-thirds of members present at the meeting.

1-6: Capital Formation of XXX Corp.

(As a rule, the NDF will not act as the lead investor)

Units: NTS1000s; %

Shareholders	Original amounts of shareholding	Amounts of shareholding after capital increase	Shareholding ratios before capital increase	Shareholding ratios after capital increase
1. A Enterprise	808,036	808,036	17.19%	16.63% ▼
2. B Investor	125,104	125,104	2.66%	2.57% ▼
3. C Company	258,853	258,853	5.51%	5.33% ▼
4. D Investor	125,104	125,104	2.66%	2.57% ▼
5. E Textiles	200,000	200,000	4.26%	4.12% ▼
6. F Construction	200,000	200,000	4.26%	4.12% ▼
7. G Investor	124,172	124,172	2.64%	2.55% ▼
8. NDF	1,009,188	1,009,188	21.47%	20.77% ▼
9. H Company	260,000	260,000	5.53%	5.35% ▼
10. I Bank	67,500	67,500	1.44%	1.39% ▼
11. XXX	498,880	657,624	10.61%	13.53% ▲
12. Others	1,023,163	1,024,419	21.77%	21.07% ▼
Total	4,700,000	4,860,000	100%	100%

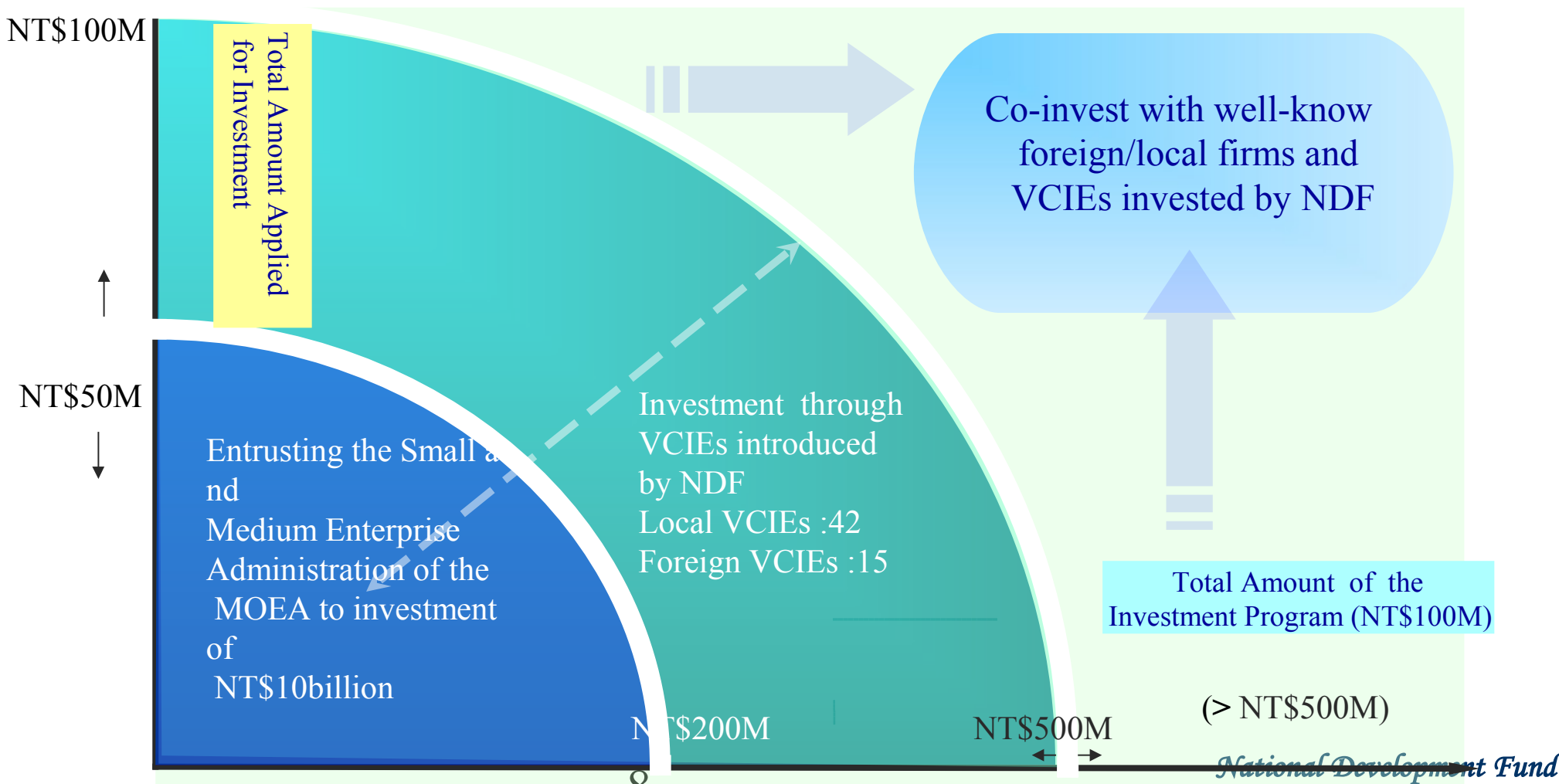
Group

39.18%

37.89%

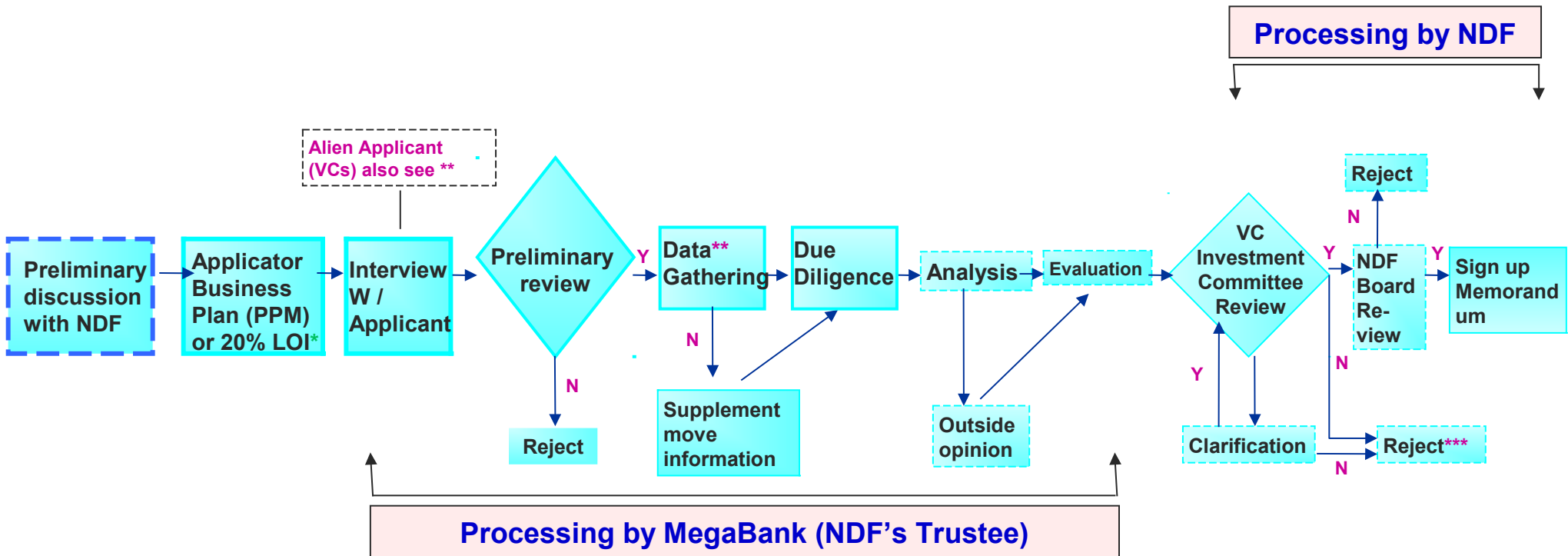
1-7: NDF Investment Strategy

Multi-level Investment Strategy of NDFund



2-1: NDF Venture Capital Investment Flow Chart

Application Process is approximately 3 months



* Proof of a source for 20% of total fund size which is already sought

** Alien applicant (VCs) also need to negotiate the “strategic alliance agreement” with MegaBank and NDF

*** May appeal but only for one time

2-2: Rules for Meetings of the NDF's VC Investment Review Committee

Conditions for opening meeting

Committee has 15 members

Attendance of
more than half of the members

Members in attendance ≥ 8 ($1/2 \times 15$)

Meeting assembled

2-3: Voting Rules for VC Investment Review Committee Meetings

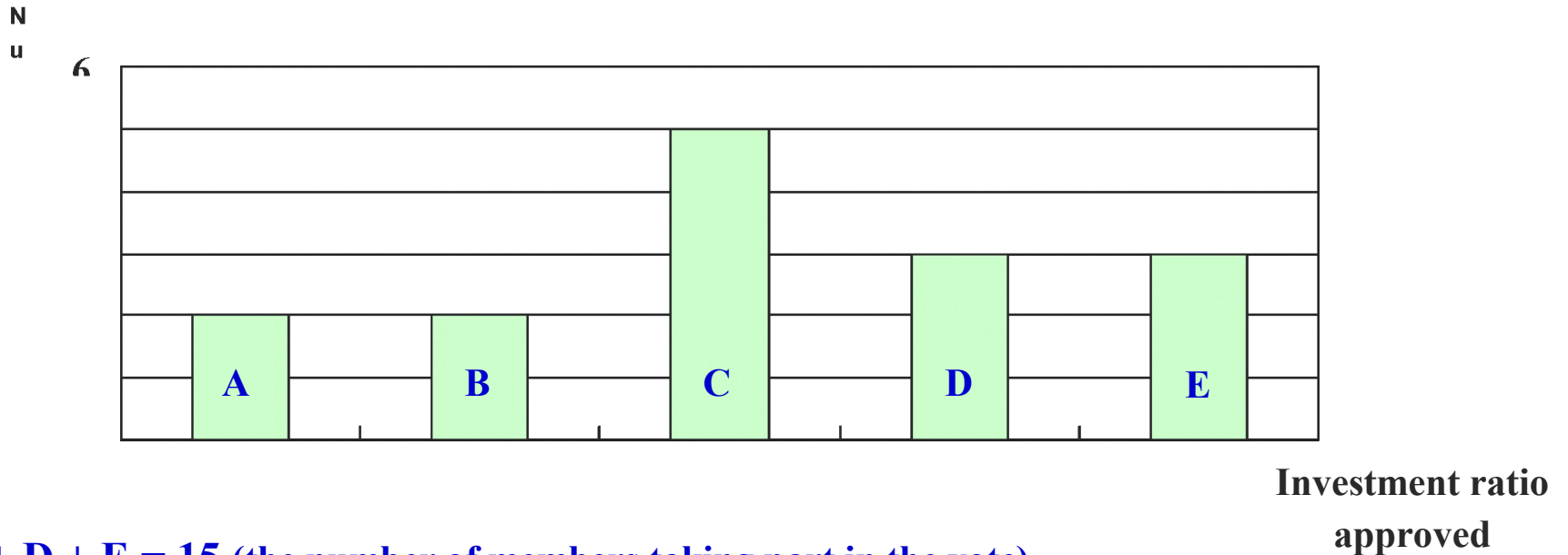
Note: If any one of these four conditions applies, a vote of approval will require agreement by two-thirds of members present at the meeting.

Particulars of investment case	Approval ratio $> 1/2$	$\geq 2/3$
1. Amount of investment applied for from NDF	$< \text{NT\$}500$ million	$\geq \text{NT\$}500$ million
2. Proposed ownership structure of investment company	Shareholding ratio of single entity $< 50\%$	Shareholding ratio of single entity $\leq 50\%$
3. Management experience of contracted management consulting firm	≥ 3 years management experience	< 3 years management experience
4. If VCIE to manage investment itself, management experience of in-house team	≥ 3 years management experience	< 3 years management experience

As a rule, investment in a single VCIE (or fund) may not exceed 30% of the VCIE's (or fund's) paid-in capital or NT\$1 billion, except if one of the following conditions applies:

1. Its main purpose is to invest in nurturing newly emerging industries.
2. It has a strategic alliance with an overseas enterprise (or enterprises) or concrete plans for technology transfer.
3. It will help domestic enterprises undertake consolidation or merger.

2-4: VC Investment Review Committee's Voting Rules re Investment Ratio



$A + B + C + D + E = 15$ (the number of members taking part in the vote)

$\therefore A + B + C = 9 > 8$ [$1/2 \times (A + B + C + D + E)$] ← (the minimum threshold of votes for approval, accumulated from the highest ratios approved)

Final Ratio of Commitment= $\frac{(30 \times 2) + (25 \times 5) + (20 \times 2) + (15 \times 3) + (10 \times 3)}{15} = 20$
(Weighted Average)

2-5: Strategy for Cooperation with Already Invested Domestic or Overseas Venture Investors

	Investment in Domestic Venture Investors	Investment in Overseas Venture Investors
<p>Details of strategic alliance cooperation</p>	<ol style="list-style-type: none"> 1. Cooperate or promote <i>co-investment</i> in large-scale or key-technology investment projects. 2. Co-invest with biotech venture investors in large-scale or key-technology biotech firms. 3. Implement a <i>Code of Practice and Ethics</i> for VCIE personnel. 4. In line with the direction of new revisions of the law, appoint management teams to participate in investing in VC funds that are invested in and managed by the NDF. 	<ol style="list-style-type: none"> 1. In line with internationalization strategic positioning, prioritize investment in VCIEs that generate synergy with domestic industries, encourage overseas venture investors to <i>invest back in Taiwan, and indirectly help Taiwanese businesses to enhance their international visibility.</i> 2. Assist <i>technology transfer</i>: Promote industrial technology exchanges, transfer of licenses, etc., between Taiwan and foreign countries. 3. Regularly hold <i>large-scale international seminars and conferences</i> in Taiwan, <i>to raise the international profile of Taiwan's industries and related agencies.</i> 4. Provide opportunities for exchanges between <i>NGOs</i> (such as VC associations) in Taiwan and overseas. 5. Provide opportunities for specialist training, and conduct exchanges to share venture investment experience. 6. Help domestic firms (or those already invested in by the NDF) to develop overseas.

Appendix 1: Contact Windows for the MOEA's *Subsidy Program* and the CEP D's *Medium-Term and Long-Term Funding (Special Project Financing)*

Item	Plan/Program Name	Industrial Technology Development Program	Small Enterprise Innovative R&D Program	Innovative Services R&D Program
1. Authority in charge		Dept. of Industrial Technology, MOEA	Dept. of Industrial Technology, MOEA	Dept. of Industrial Technology, MOEA
2. Scope of subsidies		Forward-looking, key or integrative technologies that are above-standard and can promote employment opportunities.	<ol style="list-style-type: none"> 1. Innovative ideas with industrial benefit. 2. New technologies or construction modes to meet future industrial needs. 3. New technologies or new products that enable enhancement of resource-saving, environmental protection and industrial safety and assist sustainable industrial development or clean & green production. 	<ol style="list-style-type: none"> 1. Innovative, demonstrative service platforms, systems and models. 2. Innovative business operating models or service processes linked with technology, markets, marketing or distribution channels. 3. Innovative R&D activities related to international brands. 4. Others recognized by the MOEA as within the scope of the program.
3. Contact information		02-2341-2314 extension 213	02-2351-5579 extension 603	02-2341-2314 extension 504-522
4. Website		http://innovation1.tdp.org.tw	http://www.sbir.org.tw	http://innovation3.tdp.org.tw

Plan/Program Name		Industrial Technology Development Program	Small Enterprise Innovative R&D Program	Innovative Services R&D Program
Item				
Subsidies and upper limits	① Upper limits	1. Maximum of 30% of total expenditure for ordinary R&D projects. 2. Maximum of 40% of total expenditure for forward-looking and big-impact R&D projects.	Total of subsidy payments not to exceed 50% of total costs in each case.	Total of subsidy payments not to exceed 50% of total costs in each case.
	② Specific numbers	None	1. First-stage projects (upper limits): (Single company) 6 months → NT\$1 million (Multiple companies) 9 months → NT\$5 million 2. Detailed development ① Individual applicant: Total not to exceed NT\$10 million , with disbursement not exceeding NT\$5 million per year; and for first-stage project applicants, an upper limit of NT\$12 million . ② R&D alliance: Maximum: # of companies × NT\$10 million. Amount of disbursement: # of companies × NT\$5 million. Total amount: NT\$50 million.	1. First-stage projects (upper limits): (Single company) 6 months → NT\$1 million (Multiple companies) 9 months → NT\$5 million 2. For R&D projects that are not in the realm of public policy, NT\$30 million per enterprise over three years; no such upper limit applies to public policy projects.
Targeted applicants	① Partnerships			✓
	② Medical entities			✓
	③ Domestic companies	✓	✓ (SMEs only)	✓
	④ Foreign companies	✓		✓
	⑤ Foundations	✓		
	⑥ SOEs	✓		✓

Appendix 2: The NDF's Loan Financing Programs

1. To improve the industrial structure and promote industrial upgrading	<i>1. Loans for Assisting SME Upgrading</i>
	<i>2. Concessional Loans for the Purchase and Installation of Automation Machinery and Equipment</i>
	<i>3. Concessional Loans for the Purchase and Installation of Automation Machinery and Equipment by Agricultural Enterprises</i>
	<i>4. Loans for Revitalizing Traditional Industries</i>
	<i>5. Special-Case Funding for Assisting Corporate M&A</i>
	<i>6. Preferential Loans for the Development of Emerging Key Industries</i>
2. To support environmental protection policy	<i>1. Low-Interest Loans to Private Enterprises for Pollution Control Equipment</i>
	<i>2. Concessional Loans for the Purchase and Installation of Energy-Saving Equipment</i>
3. To support economic development plans	<i>1. Machinery and equipment Export Financing Program</i>
	<i>2. Overseas Investment Financing Program</i>
4. To support other governing authorities	<i>1. Concessional Loans to Encourage Private Investment in Developing Mixed-Use Industrial and Commercial Parks</i>
	<i>2. Loans to Promote industrial R&D</i>

Appendix 2-1: To Improve the Industrial Structure and Promote Industrial Upgrading

	<i>Loans for Assisting SME Upgrading</i>	<i>Concessional Loans for the Purchase and Installation of Automation Machinery and Equipment</i>	<i>Concessional Loans for the Purchase and Installation of Automation Machinery and Equipment by Agricultural Enterprises</i>	<i>Loans for Revitalizing Traditional Industries</i>	<i>Special-Case Funding for Assisting Corporate M&A</i>
Lending targets	SMEs	SOEs	<ol style="list-style-type: none"> 1. Agribusinesses. 2. Agriproduct processors. 3. Farming households engaged in farm, fishery or livestock production and registered according to law. 4. Farmers' and fishermen's organizations. 	Traditional industries	Domestic SOEs engaging in various kinds of M&A activity in accordance with the Merger and Acquisition Act or other relevant laws.
Loan items	<ol style="list-style-type: none"> 1. Investment plans for the purchase and installation of automation machinery and equipment, commercial automation equipment, or computer hardware and software. 2. Investment plans for the development or manufacture of new products or production technologies. 3. Revolving funds needed by businesses for production automation machinery and equipment. 4. Plans for the purchase of land in industrial zones. 5. MOEA-IDB approved lease of business premises, factory buildings and related facilities in industrial zones. 	Investment plans for the purchase and installation of automation machinery and equipment, commercial automation equipment, construction industry automation machinery and equipment, or computer hardware and software.	Plans for investment in automation machinery and equipment in accordance with the Criteria and Directions for Applications by Agricultural Enterprises for the Financing of Automation Machinery and Equipment.	<ol style="list-style-type: none"> 1. Investment plans for the purchase and installation or improvement of pollution control equipment. 2. Plans for undertaking R&D or personnel training. 3. Revolving funds for the mid-term operation of traditional industry enterprises. 4. Other loans and subsidies for SME upgrading. 	<ol style="list-style-type: none"> 1. Conducting merger plans of remaining or newly established company. 2. Implementing acquisition plans of transferee company. 3. Implementing spin-off plans of existing or newly established company. 4. Plans for spinning off and moving offshore parts of domestic companies that are not efficiently productive, and repatriating offshore profits for investment in remaining or newly established companies in Taiwan, in line with government policy for enhancing Taiwan's industrial structure.

Appendix 2-1: To Improve the Industrial Structure and Promote Industrial Upgrading

continued

	<i>Loans for Assisting SME Upgrading</i>	<i>Concessional Loans for the Purchase and Installation of Automation Machinery and Equipment</i>	<i>Concessional Loans for the Purchase and Installation of Automation Machinery and Equipment by Agricultural Enterprises</i>	<i>Loans for Revitalizing Traditional Industries</i>	<i>Special-Case Funding for Assisting Corporate M&A</i>
Amount of loans	Limited to 80% of the project cost, and with an upper limit of NT\$80 million.	Limited to 80% of the project cost for up to NT\$200 million, and to 60% for up to NT\$400 million, with an upper limit of NT\$400 million.	Limited to 80% of the project cost, and with an upper limit of NT\$80 million.	Limited to 80% of the project cost, and with an upper limit of NT\$60 million.	Limited to 70% of the required funding, and with an upper limit of NT\$400 million.
Interest rate	Postal savings 2-year time deposit + 2.25% floating rate.	Postal savings 2-year time deposit + 2.25% floating rate.	Postal savings 2-year time deposit + 2.0% floating rate.	Postal savings 2-year time deposit + 2.25% floating rate.	Postal savings 2-year time deposit + 2.45% floating rate.
Maximum term of loans	As a rule 10 years, but exceptionally 15 years (for purchase of land in industrial zones); may allow 3-year grace period for principal.	7 years; may allow 3-year grace period for principal.	7 years; may allow 3-year grace period for principal.	10 years; may allow 3-year grace period for principal.	7 years; may allow 3-year grace period for principal.
Undertaking banks and contact persons	Taiwan Business Bank Su Wen-hsiung (02) 2559-7171 x 3149	Mega International Commercial Bank Chen Su-ya (02) 2563-3156 x 2586	Farmers Bank of China Ho Sheng-teng (02) 2100-3486	Mega International Commercial Bank Chen Su-ya (02) 2563-3156 x 2586	Mega International Commercial Bank Chen Su-ya (02) 2563-3156 x 2586

Appendix 2-2: To Support Environmental Protection Policy

	<i>Low-Interest Loans to Private Enterprises for Pollution Control Equipment</i>	<i>Concessional Loans for the Purchase and Installation of Energy-Saving Equipment</i>
Lending targets	Private enterprises	Public enterprises; unincorporated juridical persons, institutions and organizations
Loan items	Plans for investment in the purchase/installation or improvement of pollution-prevention equipment.	<ol style="list-style-type: none"> 1. Energy-saving equipment and peripheral equipment recognized by Chiao Tung Bank, Taiwan Business Bank or the Bureau of Energy, MOEA. 2. Renewable and clean energy equipment and peripheral equipment recognized by Chiao Tung Bank, Taiwan Business Bank or the Bureau of Energy, MOEA.
Amount of loans	Limited to 80% of the project cost for up to NT\$100 million, to 60% for NT\$100~500 million, and to 40% for above NT\$500 million, with an upper limit of NT\$1 billion.	Limited to 80% of the project cost, and with an upper limit of NT\$400 million.
Interest rate	Postal savings 2-year time deposit + 2.175% floating rate.	Postal savings 2-year time deposit + 2.45% floating rate.
Maximum term of loans	10 years; may allow 3-year grace period for principal.	7 years; may allow 3-year grace period for principal.
Undertaking banks and contact persons	Mega International Commercial Bank Chen Su-ya (02) 2563-3156 x 2586	Mega International Commercial Bank Chen Su-ya (02) 2563-3156 x 2586

Appendix 2-3: To Support Economic Development Plans

	<i>Machinery and equipment Export Financing Program</i>	<i>Overseas Investment Financing Program</i>
Lending targets	Domestic exporters and overseas importers	Taiwanese manufacturers investing overseas with approval from relevant government authorities in Taiwan
Loan items	<ol style="list-style-type: none"> 1. Turnkey export of whole plant or whole production line equipment. 2. Technical services for turnkey export. 3. Other essential materials related to machinery and equipment export. 4. Export of technical services for aerospace industry. 5. Single units of machinery and equipment. 	<ol style="list-style-type: none"> 1. Investing in the development of local natural resources, to supply raw materials, intermediates and components needed by domestic industries in Taiwan. 2. Helping to improve imbalances in Taiwan's trade or secure markets for Taiwan's products. 3. Obtaining key, high-tech production technologies and management know-how helpful to industrial upgrading in Taiwan. 4. Helpful to the vertical integration of upstream, midstream and downstream industries or expanding industries' horizontal linkage. 5. Helpful to establishing overseas production bases, expanding foreign markets, and setting up international production and marketing networks. 6. Obtaining technologies for environmental protection, ecological balance and hazard prevention and control. 7. Otherwise helpful to furthering international economic cooperation.
Amount of loans	<ol style="list-style-type: none"> 1. Limited to 85% of the total cost of machinery and equipment per case, with an upper limit of NT\$500 million. 2. An upper limit of NT\$1 billion per factory, but this limit may be waived by the Executive Yuan as a special case. 	80% of amount invested overseas, with an upper limit of NT\$400 million; but this limit may be waived by the Executive Yuan as a special case.

Appendix 2-3: To Support Economic Development Plans (*continued*)

	<i>Machinery and equipment Export Financing Program</i>	<i>Overseas Investment Financing Program</i>
Interest rate	<p>1. NTD loans: 180-day note secondary market fixing rate + 2.25% or postal savings 2-year time deposit rate + 1.8% floating adjustment.</p> <p>2. USD or other foreign currency loans: 6-month LIBOR + 3%.</p>	<p>1. NTD loans: 180-day note secondary market fixing rate + 2.25% or postal savings 2-year time deposit rate + 1.8% floating adjustment.</p> <p>2. USD or other foreign currency loans: 6-month LIBOR + 3%.</p>
Maximum term of loans	10 years, and may allow a reasonable grace period.	7 years, and may allow a reasonable grace period.
Undertaking banks and contact persons	Import-Export Bank of ROC Chiang Wei-chun (02) 2321-0511 x 547	Import-Export Bank of ROC Chiang Wei-chun (02) 2321-0511 x 547

Appendix 2-4: To Support Other Governing Authorities

	<i>Concessional Loans to Encourage Private Investment in Developing Mixed-Use Industrial and Commercial Parks</i>	<i>Loans to Promote industrial R&D</i>
Lending targets	Investments totaling at least NT\$200 million and meeting one of the following conditions: 1. The investor has obtained a letter of recommendation from the MOEA. 2. The investor has obtained a letter of approval for project planning from the MOEA or the county/city government. 3. An investor whose investment plan is recognized by the MOEA of being of the same nature as a plan for a mixed-use industrial and commercial park.	Companies or state-owned enterprises established in accordance with company law.
Loan items	1. Construction and civil engineering. 2. Automated equipment and software needed for its operation. 3. Other items approved by the MOEA.	R&D plans for internet, manufacturing, technical service and cultural & creative enterprises that can substantively increase the value-added of products or services or can provide technical service capabilities.
Amount of loans	70% of investment amount.	80% of total project expenditure, with an upper limit of NT\$65 million.
Interest rate	Postal savings 1-year time deposit rate + 0.95 % + (0.85 % ~1.5 % , depending on the term of the loan)	1 %
Maximum term of loans	15 years; may allow 5-year grace period for principal.	7 years, but limit may be waived with approval from the authority in charge.
Undertaking banks and contact persons	Taiwan Cooperative bank Lin Yu-hung (02) 2311-8811 x 441	Taiwan Business Bank Zhang Yun-huei (02) 2559-7171 x 3143