

 直港科技服務有限公司 CHIEFTEK PRECISION CO.,LTD.	Document Name	Operation Procedure for Lending Funds to Others 3-FI-2-N-001	Version	4
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Article 1: Purpose and foundation

The Company coordinates the actual operational needs, has to lend funds to others (hereinafter to be referred as borrower). This procedure was provided in accordance with the regulations of the Company Law, Securities and Exchange Act and Regulations Governing Loaning of Funds and Making Endorsements/Guarantees by Public Companies issued by Securities and Futures Commission, Ministry of Finance, etc.

Article 2: Risk analysis

1. The entities and sum of loans exceed the maximum limit and violate the regulations in the related laws.
2. The loan information is not announced based on the related regulations or disclosed in the Financial Statement.

Article 3: Entities to which the Company may loan funds and evaluation standards

According to the regulations of Article 15 in the Company Law, unless otherwise under any of the following circumstances, the capital of a company shall not be lend to any shareholder of the company or any other person:

1. The company or firm that has business transaction with the Company :
The “Business transaction” stated above refers to the purchase or sale transaction with the Company.
2. The company or firm that requires short-term financing facility with the Company.
It is restricted to a company or firm of which the Company holds 50% or more of its shares having a business need for short-term financing. The “short-term” stated above means one year or an operating cycle (which one is longer) according to the explanation in the document released by the Ministry of Finance. The financing amount means the cumulative balance of the Company’s short-term financing.
3. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the public company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares. However, the Public Company shall still prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans in accordance with Article 4 and 5.

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Article 4: Sum limit of all loans and individual loan

1. When loaning funds for the companies or the firms with business transaction, the accumulated sum of the loans shall not exceed 20% of the net worth of the financial statement of the Company in the latest period. The amount of an individual loan granted by the Company shall not exceed the business transaction amount in the past year between both parties. "Business transaction amount" refers to the amount of purchase or sale between both parties, whichever is higher.
2. Where funds are lent to a company or firm with short-term financial need, the sum of the loan shall not exceed 40% of the net worth of the Company, and each individual loan shall not exceed 40% of the net worth of the Company.
3. Inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the public company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares, the total financing amount shall not exceed 40 percent of the net worth of the financing statements of the last year; independent financing amount shall not exceed 40 percent of the lending company's net worth of the financing statements of the last year.
4. The certain monetary limit on authorization for loans extended by the Company or any of its subsidiaries lending funds to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company.

"Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations 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.

The determination of the net worth of the most current financial statements means that the subsidiary's most current financial statements audited (reviewed) by the accountants, or its subsidiaries incorporate into the most current consolidated financial report, after audited (reviewed) by the accountants (the most current) the new worth shall be a basis.

Article 5: Duration of loans and calculation of interest

The term of each loan granted by the Company shall not exceed one year. For longer term, it shall be extended upon the approval of the Board of Directors. The interest shall be payable on a monthly basis or settled at one time on the due date based on the premium of cost of funds.

Article 6: Handling and review procedures

1. Application procedure
 - (1) The items of the Company lending funds, the borrower shall attach basic information first

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(including license issued by Ministry of Economic Affairs, Business Registration Certificate, the copy of the responsible person's ID. However, when the Company holds, directly or indirectly, 100% voting shares of the subsidiaries, this procedure shall not apply to), and the necessary finance information, apply by letter and make an accommodation to the Finance Department of the Company.

- (2) If making loans with relation to business transaction, the handling personnel in the Financial Department of the Company shall evaluate the financing amount and the amount of business transaction which are equivalent; where an intercompany or inter-firm shortterm financing facility is necessary, shall enumerate the reason and the circumstances of lending funds, and make the credit investigation, submit a report with related information and the proposed loaning conditions to financial supervisors, the general manager, and after approved by the chairman, and furthermore shall be submitted for a resolution by the Board of Directors for resolutions.

2. Credit investigation

- (1) If it is the loaning for the first time, the borrower should provide the basic data and financial data for credit investigation.
- (2) when the borrower continuing to loan applies for renewing the loan, remaking the credit investigation in principal. If it's the important or urgent events, handling at any time as actual needs.
- (3) If the borrower is in good financial status, and the annual financial statement is certified by CPA for financing, it may use the investigation report within one year, which should serve as the loan reference together with the CPA Auditing and Certification Report.
- (4) When conducting credit investigation for the borrower, it should evaluate the operation risk, financial status and impact on the shareholder's benefits of the loan of funds.

3. Decision-making and authorization levels

The Company loaning funds and the items shall be approved by the resolutions of the Board of Directors first, and therefore it shall conduct, it shall not authorize others to decide; When fund lending is contemplated between the Company and its parent company or when fund lending to Subsidiaries is contemplated by the Company, an approval from the Board of Directors shall be obtained, and the Chairman shall be authorized to handle the matter within the specific amount of fund lending to the same party approved by the Board of Directors and the lending is authorized in installment or revolver within one year.

Where the Company has appointed independent directors, when it loaning funds to Others, it shall take into full consideration each independent director's opinions; 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 the Company has established an audit committee, when it adopts or amends its

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Operational Procedures for Loaning Funds to Others, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 4 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions. When the Company's subsidiaries lend funds to others, it shall be submitted to the parent company's board of directors for the resolutions in accordance with the procedure.

4. Loan review and notice

- (1) If the case fails to meet the loan conditions after the credit investigation and evaluation, the undertaker should reject the borrower with a reason as soon as possible.
- (2) If the case is approved for loaning after credit investigation and evaluation, the undertaker should inform the borrower as soon as possible, with the detailed loan conditions including the amount, period, interest rate, collateral and guarantor. It should request the borrower to finish contract agreement within the required period.

5. Contract signing and information confirmation

- (1) Loaning case shall be drawn up the contract clauses by the responsible personnel, and approved by the supervisors and submitted to the manager and the chairman for approval, and therefore conduct the signing procedure.
- (2) The contract conditions and terms should be consistent with the loan conditions. After the contract is signed by the borrower and the guarantor, the undertaker should finish the information confirmation.

6. Evaluation of collateral value and rights setting

The borrower should provide guarantee notes or collaterals at the equivalent value, and finish setting the pledge or right to mortgage. The company should also evaluate the collateral value, so as to guarantee the creditor's right of the Company.

7. Insurance

- (1) All collaterals, except the land and the securities, shall be insured against the fire or related events. The amount of insurance is not lower than the loan amount in principal, the names of the subjects, the quantity, the store location, the insurance conditions, the insurance endorsements, etc. described in the policy, shall comply with the original loan conditions of the Company
- (2) The undertaker should notify the borrower for policy renewal before the insurance period is expired.

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8. Appropriation

It may apply for appropriating funds from the Department of Finance after the loan conditions are reviewed, the contract is signed, the security pledge setting is registered, and all documents are checked.

Article 7: Repayment

After a loan is granted, it should periodically check the financial status, business and credit status of the borrower and guarantor. If any collateral is provided, it should pay attention to the change of value. Moreover, it should notify the borrower for timely payment of interest and principal one month before the due date.

- (1) When the loan expires to repay, the borrower shall calculate the accrued interest payable first, after pay off the principal at the same time, it shall write off and return such the promissory note, the receipt for a loan and other certificates of creditor's rights to the borrower.
- (2) When the borrower applies for cancellation of right of pledge, it should check whether the loan is fully repaid, so as to determine whether to approve the pledge cancellation.

Article 8: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights:

1. Loan extension

If the borrower intends to extend and renew the loan contract, it should submit the application one month before the due date, which is restricted to one time only (one year). After the Company submits the application and it is passed by the resolution of Board, it may go through the related formalities once again.

2. Case registration and safeguarding

- (1) The Company should establish and maintain a "Memorandum Book for Lending Loans to Others" for its fund-lending activities and truthfully record the borrower, amount, date of approval by the Board, lending date and items to be carefully evaluated under this operation procedure.
- (2) After lending the loan, the undertaker should keep the certifications of rights of creditors such as the contract and promissory note, as well as the certificate of collateral, policy and related documents in the safeguarding bag marked with the content and customer name. After it is checked by the manager of Department of Finance, it will be sealed. The bag will be kept by both parties after they sign or seal on the Safeguarding Items Registration Book.
- (3) The Company's internal auditor shall audit the procedures and the execution of loaning funds at least every quarter, and make a written record. When the important violation was found out, it shall be noticed to every independent director in written.
- (4) Due to the change of circumstances, the Company's loan object is inconsistent with the regulation of the procedure, or when the loan balance exceeds the limit, the Audit

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Department shall supervise and urge the Financial Department to set up the period for withdrawing the loaning funds which exceeds the limit, and send the improvement program to every independent director and the Audit Committee, and therefore reported to the Board of Directors, and finish to improve in accordance with the process of the program.

- (5) The undertaker should finish the “Table of Balance of Loans to Others” of the previous month by the 5th day of each month, and submit it for review level by level.

Article 9: Procedures for controlling and managing loans of funds to others by subsidiaries

1. When the Company’s subsidiaries plan to loan funds to others, shall establish the procedure and conduct in accordance with the procedure; however, the net worth of the most current financial statements of the loaning industry shall be the calculation standard of the net worth.
2. The subsidiary should finish the “Table of Balance of Loans to Others” of the previous month by the 10th day (not included) of each month, and submit it to the Company for review.
3. When the Company’s auditor audits the subsidiaries in accordance with the annual audit plan, shall comprehend the procedure and the execution of loaning funds to others at the same time. When the missing item was found, it shall constantly follow up the improvement, and make a follow-up report to the chairman; when the important violation of landing funds to others was found, the Audit Department shall send the information in written to every independent director.

Article 10: Information disclosure

1. The Company shall upload the information about the Company and the subsidiaries loan funds and the related information according to law of the last month to the Market Observation Post System (MOPS) before the tenth day of every month.
2. When the Company’s loaning balance achieves one of the following standards, it shall be announced and declared to the Market Observation Post System (MOPS) before two days before the date of occurrence of the event:
 - (1) When the balance of the Company and its subsidiaries loan funds to others achieves over 20% of the net worth of the Company’s most current financial statement.
 - (2) The balance of the Company and its subsidiaries loan funds to one single industry achieves over 10% of the net worth of the Company’s most current financial statement
 - (3) The Company and its subsidiaries increase loaning amount to over NT\$ 10,000,000, and achieve over 2% of the net worth of the Company’s most current financial statement.
3. When the Company’s subsidiary is not a domestic public company, the subsidiary has the items which shall be announced and declared in paragraph 3, clause 2 of this item, the items shall be conducted by the Company.
4. The Company should evaluate the loan situation and appropriate adequate allowance for bad debt, and the related information should be disclosed in the financial station appropriately. Moreover, it should provide the related data for the CPA to perform necessary inspection

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procedure.

5. The term "the date of occurrence of the event" as used in the procedure, means date of contract signing, date of payment, date of a resolution of the board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Article 11: Penal Provisions for manager and responsible personnel violated this provision or the procedure for the Company loaned funds to others

When the Company's manager and responsible personnel violated the procedure, it shall be reported to assess in accordance with the Company's work rules, and give corresponding punishment according to the seriousness of the case; related improvement program shall be sent to every independent director, reported to Audit Committee and Board of Directors in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and finished to improve in accordance with the program process.

Article 12: Implementation and revision

After the procedure was approved by the Board of Directors, it shall be approved by shareholders' meeting and therefore implement. If a director expresses any dissent or reservation and makes the record or the written statement, the Company shall send the objection to every independent director and report to shareholders' meeting for discussion, the same process shall be conduct as amendment. Where a public company has appointed independent directors, when it submits its Operational Procedures for Loaning Funds to Others 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. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.

Where the Company has established an audit committee, when it adopts or amends its Operational Procedures for Loaning Funds to Others, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.