

## **Chicony Power Technology Co., Ltd.**

### **Procedures for Lending Funds**

1. Either the Company or the Company's subsidiaries duly identified in accordance with the International Financial Reporting Standards (IFRS) (hereinafter referred to as the "Subsidiaries") may be entitled to be the loanees of the capital funds. The terms and conditions for the lending of the funds shall be:

- (1) Lending by and between the Company and its subsidiaries.
- (2) Lending by and between the Company's subsidiaries themselves.
- (3) Lending by and between the Company's subsidiary and its Subsidiary (ies).
- (4) Lending by and between the Company and the Company's parent company as identified in accordance with the International Financial Reporting Standards (IFRS).

In terms of the lending of funds mentioned in the preceding paragraph, the application shall not be lodged unless the loaner and the loanee are in the relationship of business transaction or are in a need for short-term financing of the funds.

2. Application:

- (1) For lending of funds by and between the Company and the subsidiary, the Loanee shall fill up the "Application for Lending of Fund" and accompany the application with the financial data as necessary and then lodge the application to the Department of Finance of the Company or of the subsidiary for the credit limit of the financing.
- (2) In response to the application for the loan, the Department of Finance of the Company or the subsidiary shall look into the application, and the purposes of the subject loan, the proposed maximum possible amount, duration of the loan, method to accrue interest, terms of guarantee, causes, indispensability, rationality of the loan, and risk evaluation and conduct credit, and the impact upon the risks to the Company's business operation, financial conditions and the shareholders' equity before referring the application to the board of directors for approval of the loan.
- (3) Where the Company or the subsidiary proceeds with the lending of fund, other than the procedures as set forth under the two preceding paragraphs, the board of directors may, as well, authorize the chairman with the power to grant the loan to the same target loanee, within the credit limit resolved in the board of directors within the maximum duration of 1 year through appropriation in installments or on a revolving basis.
- (4) The specified credit limit mentioned in the preceding paragraph shall be consistent with requirements set forth under Paragraph 3 of Article 4. Moreover, the credit limit of the funds lent by the Company and its subsidiaries shall not exceed 10% of the net worth shown through the latest financial statements of the Company and its subsidiaries certified or audited by the Certified Public Accountants.

3. Credit investigation:

- (1) A loanee shall, upon submitting an applicant for credit limit, submit the latest financial statements duly audited, certified by the Certified Public Accountant so that the credit investigation may be conducted accordingly.
- (2) Starting from the time to disburse the credit limit, a loanee shall submit the financial statements closed by itself in the preceding month to the Department of Finance of the Company or the subsidiary no later than the 20th day of every month. In case of an abnormality noticed, the Department of Finance shall work out report and countermeasures which shall be put into enforcement after being approved.

4. Limits of loans:

- (1) The aggregate total of the Company's funds loanable shall not exceed the maximum limit as the Company's net worth as shown through the Company's financial statements of the latest term duly certified or audited by the Certified Public Accountant. In addition:
  - I. The aggregate total of funds loanable for the purposes of short-term financing shall not exceed the maximum limit of 40% of the Company's net worth. The credit limit of funds loanable to a single enterprise for the purposes of short-term financing shall not exceed the maximum limit of 40% of the Company's net worth.
  - II. The credit limit of funds loanable to a single enterprise as a result of business transaction shall not exceed the maximum limit of 50% of the Company's net worth and shall not exceed the amount of input, output transaction with the Company over the past year, whichever is the higher.
- (2) The aggregate total of loanable funds of the subsidiary shall not exceed the Subsidiary's net worth as shown through its financial statements of the latest term duly certified or audited by the Certified Public Accountant. In addition:
  - I. The aggregate total of funds loanable for the purposes of short-term financing shall not exceed the maximum limit of 40% of the Subsidiary's net worth. The credit limit of funds loanable to a single enterprise for the purposes of short-term financing shall not exceed the maximum limit of 40% of the Subsidiary's net worth.
  - II. The credit limit of funds loanable to a single enterprise as a result of business transaction shall not exceed the maximum limit of 50% of the Subsidiary's net worth and shall not exceed the amount of input, output transaction with the subsidiary over the past year, whichever is the higher.
- (3) Where the foreign subsidiaries of the Company hold 100% voting rights either directly or indirectly, or the foreign subsidiaries of the Company holds 100% voting rights either directly or indirectly are in need to lend funds to each other or to the Company, the amount is free of the limit of 40% of the net worth of the lender as shown through the lender's financial statements of the latest term duly certified or audited by the Certified Public Accountant. The aggregate total of the fund loaned shall not exceed the lender's net worth as shown through the Company's financial statements of the latest term duly certified or audited by the Certified Public Accountant. The duration of the loan shall not exceed the maximum limit of 3 years. It can be extended twice, and the period of each extension shall not exceed three years. The fund loaned to a single enterprise shall be subject to the following restrictions:
  - I. The credit limit of funds loanable because of business transaction shall not exceed the maximum limit of the lender's net worth and shall not exceed the amount of input, output transaction with that enterprise over the past year, whichever is the higher.
  - II. The credit limit of funds loanable for the purposes of short-term financing shall not exceed the maximum limit of the lender's

net worth as shown through the Company's financial statements of the latest term duly certified or audited by the Certified Public Accountant.

- (4) Except for a situation enumerated among those in the Paragraph 3 of this Article, whenever a loanee borrows funds from the Company or the subsidiary, the duration shall not exceed the maximum limit of 1 year.
- (5) Where the financial statements of the Company or the subsidiary are worked out in accordance with the International Financial Reporting Standards (IFRS) instead, the term net worth as set forth under the Procedures refers to the equity attributable to owners per the Balance Sheet as defined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. Notifications to the loanees:

As soon as a loan application case is approved, the person-in-charge shall keep the loan applicant forthwith by mail or by phone, with details regarding the terms of the loan, including approved credit limit, duration of the loan, interest rate, collateral, and guarantor(s) and shall request the loan applicant to complete execution of the agreement, mortgage (pledge) establishment procedures and guarantee verification with the guarantor(s) within the specified time limit so that the approved loan will be appropriated.

6. Execution of the agreement and guarantee verification:

- (1) For a loan case, the Department of Finance shall consult with the legal consultant to draft the loan agreement and shall check and verify that the contents of the loan agreement so drafted are consistent with the terms and conditions approved for the loan before execution of the agreement.
- (2) The loan agreement shall be duly executed based on the loanee's registered specimen seal used for juristic person registration and the registered specimen seal of its responsible person. The Department of Finance shall check and verify the registered specimen seals and signing process of the debtor and the debtor's joint guarantor(s). Upon execution of the agreement of the loan agreement with an overseas subsidiary, nevertheless, its higher ranking financial head may be delegated to conduct the guarantee verification process.

7. Establishment of pledge for collateral:

Where a loan case calls for collateral with property, the loanee shall provide collateral and shall complete the pledge or mortgage establishment procedures so as to safeguard the Company's creditor's rights.

8. Insurance:

- (1) Except for land and negotiable securities, the collateral shall be insured against fire risks. Vessels, vehicles shall be insured against all risks. The insurance amount shall not be lower than the mortgage value of the collateral in principle. On the insurance policy (ies), the Company or the subsidiary shall be the beneficiary. On the insurance policy (ies), the name of collateral, quantities, location of storage, terms and conditions for insurance and lot numbers shall be consistent with the terms and conditions granted for the loan. In the event that a building has not been numbered for doorplate at the time of mortgage, it shall be remarked with the location, land number granted by the government.
- (2) The person-in-charge shall check and notify the loanee to renew the insurance before the insurance duration expires.

9. Appropriation of the loan:

Where a loan application is approved, the loanee shall duly execute the loan agreement and shall complete all legal procedures exactly as required under the agreement. After all procedures are checked and verified in full, the loanee may fill up the application for disbursement of the credit limit within the credit limit and time frame set forth under Paragraph 3 and 4 of Article 2 and apply to the Department of Finance of the Company or the subsidiary for appropriation of the loan in one package or in installments.

10. Accrual of interest:

- (1) Where the fund is loaned by the Company or the subsidiary to a loanee, the interest shall be charged based on the capital costs of the capital cost for the Company's total short-term loans. Upon occurrence of a fact under Article 14, the Company or the subsidiary may dispose of the loanee's collateral and, in addition, impose a default penalty at 10% in addition to the annual interest rate.
- (2) Unless specifically prescribed otherwise, the interest shall be payable on a monthly basis, in principle. The loanee shall be notified to pay interest within one week from the interest due day.
- (3) For foreign subsidiaries of the company, the interest calculation of lending funds may be determined by the board of directors in accordance with the actual situation, and is not subject to the restrictions of paragraphs (1) to (2) above.

11. Reimbursement:

- (1) After a loan is appropriated, the Company shall be watchful of the financial conditions, business operations and credit standing of the loanee and the guarantor(s) all the time. In the event that the collateral has been provided, the Company shall be watchful of the potential change in the collateral value. The Company shall notify the loanee to repay the principal and interest of the loan when due 2 months prior to the expiration date of the loan.
- (2) When the loan becomes due, the borrower shall calculate the payable interest thereon and repay the interest together with the principal in full. After that, the credit documents, such as promissory note and IOU, will be annulled and returned to the borrower.
- (3) Where the loanee applies for cancellation of the mortgage loan, the Company shall check and verify whether there is any outstanding balance before the Company resolves when the mortgage may be cancelled.

12. Announcement and declaration to public:

The Department of Finance of the Company or the subsidiary shall duly conduct announcement and declaration to public as required by the competent authorities of the government.

13. Custody of memorandum book for the loans and creditor's rights vouchers:

- (1) The Department of Finance of the Company or the subsidiary shall enter into the memorandum book all such details of the loan, including the loanees, amounts of the loans, dates when resolved by the board of directors, dates to appropriate the loan and the in particulars for evaluation as set forth under Paragraph 2, Article 2.
- (2) The Department of Finance of the Company or the subsidiary shall store the loan agreements, commercial promissory notes, collateral certificates, and such creditor's rights vouchers into the safe vaults and shall set up the custodian registration book as well.
- (3) The Company or the subsidiary shall evaluate the facts of the funds loaned and appropriate adequate allowance for bad debt and shall further disclose information concerned in the financial statements as appropriate and provide such information to the certifying Certified Public Accountant to conduct audit as necessary.

14. Procedures to deal with overdue creditor's rights:

Where a loanee becomes unable to perform the financial agreement for any reason, the unit-in-charge of the Company or the subsidiary shall work out report of abnormality forthwith, evaluate the fact of the loan case and adequate allowance for potential bad debt and further disclose the information concerned onto the financial statements. If that loanee has provided collateral or guarantor(s), the unit-in-charge shall submit the case to the legal consultant so as to dispose of the collateral or claim on the guarantor(s) for reimbursement.

15. In case of a change in the situation in the Company or the subsidiary where a loanee becomes inconsistent with requirements or where the amount of the loan exceeds the maximum limit, the Company or the subsidiary shall work out remedial plan and submit it to the board of directors for corrective action at the scheduled timeframe and shall submit the remedial plan to audit committee or supervisors.

16. Where a manager and a person-in-charge of the Company or the subsidiary is found in contravention of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the Financial Supervisory Commission or the Procedures in granting loan to another, the case shall be reported to the board of directors for approval for penalty. In case of a significant fault which leads to a huge impairment to the Company, such manager or person-in-charge of the Company or the subsidiary shall be referred to prosecution according to law.

17. The Company's internal auditors shall audit these Procedures for Lending Funds and the implementation thereof on a quarterly basis as the minimum, work out records in writing and shall keep audit committee informed in writing forthwith in case of a significant offense.

18. Where the subsidiary intends to lend fund to others, it shall duly enact the "Procedures for Lending Funds" in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the Financial Supervisory Commission and the Procedures. The "Procedures for Lending Funds" shall, after being duly resolved by the board of directors, be submitted to the supervisors and to the shareholders' meeting for agreement. This same provision is mutatis mutandis applicable to an event of an amendment.

Where lending funds, the subsidiary shall submit the relevant information and data to the Company and shall take reference to the opinions from the highest supervisor in charge in the Company's Financial Center before granting the loan.

All subsidiaries of the Company shall report to the Company about performance in lending of funds on a regular basis.

19. In the event where the Company or a subsidiary submits these Procedures to the Board of Directors for discussion of the enactment or an amendment, and where a director objects and the objection is backed up with a record or in writing, the data of such objection shall be submitted to audit committee or all supervisors.

Where the Company or the subsidiary has set up independent directors and submits the Procedures to the board of directors for discussion in accordance with the preceding paragraph, the opinions of the independent directors shall be taken into adequate consideration. Their opinions, pros and cons as well as their reasons of objection, if any, shall be expressly entered into the minutes of the board of directors meeting.

After the Company or a subsidiary hereof sets up the audit committee where the handling procedures for major lending funds case or other law issues are subject to a pass through the audit committee, all such issues shall be subject to consent by one-half members of the audit committee and shall be duly resolved in the board of directors. Any matter that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of 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.

20. The Procedures shall be put into enforcement after being agreed by the audit committee, resolved in the board of directors and submitted to the shareholders' meeting for endorsement. This same provision is applicable mutatis mutandis to an event of an amendment.

Any matter under the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of 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 number of "all audit committee and all directors" of the Procedures, shall be counted as the number of audit committee and directors then actually in office.