

Eson Precision Ind. Co. Ltd.

(the "Company")

Procedures for Lending Funds to Other Parties

(the "Procedures")

Article 1. Objectives

In order to ensure the relevant capital loans to others by the company are properly regulated, the Company shall handle the procedures for In order to ensure the relevant capital loans to others by the company are properly regulated, the Company shall handle the procedures for "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" in compliance with the following Procedures.

Article 2. Parties the Company may Lend to

1. Companies or firms having business relationship with the Company;  
or
2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

The term "short-term period" as used in the preceding paragraph shall mean the period of one year or one operation cycle, whichever is longer.

The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the public company's short-term financing. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares.

The responsible person of the company who has violated the provisions of Paragraph 1 and proviso of the preceding paragraph of this Article to repay by the borrowers. The responsible person shall be liable jointly and severally with such borrower, for the damages to be sustained by the company.

Article 3. Reasons and Necessity

Inter-company or inter-firm business transactions requiring a loan arrangement must comply with the provisions of Article 4, Paragraph 2.

Capital loans for short-term liquidity needs are limited to the following situations:

1. Invested companies evaluated by the equity method by the Company require funds for repayment of bank loans, purchase of equipment, or operating turnover.
2. Companies indirectly holds more than 50 percent by the Company require funds for repayment of bank loans, purchase of equipment, or operating turnover.
3. Companies directly or indirectly holds more than 50 percent by the Company require funds for investment, and such investment business is related to the Company's operations and beneficial for the Company's future business development.
4. Other companies or businesses require short-term liquidity for purchasing materials or operating turnover.
5. Other capital loans approved by the Company's Board of Directors.

Article 4. Aggregate Amount of Loans and the Maximum Amount Permitted to a Single Borrower

1. The total amount of capital loans extended by the Company to others shall not exceed forty percent of the Company's latest audited or reviewed financial statements certified by the accountant.
2. For companies or businesses with which the Company has business transactions, the individual loan amount shall not exceed the higher of the Company's purchases or sales with them in the most recent year or up to the time of the capital loan.
3. For companies or businesses requiring short-term liquidity, the individual loan amount shall not exceed thirty percent of the Company's latest audited financial statements certified by the accountant.
4. For foreign companies in which the Company holds directly or indirectly one hundred percent of the voting shares, or for foreign companies holding directly or indirectly one hundred percent of the voting shares in the Company, there are no restrictions on capital loans as stated in Article 2, Paragraph 2. Furthermore, there is no restriction on the duration of the loan. However, subsidiaries should still specify the limits and duration of capital loans in their operating

procedures and follow them accordingly.

Article 4.1: Recognition of Subsidiaries and Parent Companies: The terms "subsidiaries" and "parent companies" in this procedure shall be recognized in accordance with the regulations of the financial report preparation standards for securities issuers in the jurisdiction where the Company is listed.

Article 4.2: Determination of Net Worth: The term "net worth" in this procedure 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.

## Article 5. Operating Procedures

### 1. Credit Investigation:

- (1) When processing loan transactions, borrowers must first submit necessary company and financial documents and apply for financing in writing to the company.
- (2) Upon receiving the application, the Finance Department should conduct an investigation and evaluation of the borrower's business, financial condition, debt repayment ability and creditworthiness, profitability, and the purpose of the loan, and prepare a report.
- (3) The Finance Department should conduct a detailed investigation and evaluation of the loan object, including at least:
  - a. The necessity and reasonableness of lending funds to others.
  - b. Assessing the necessity of the funding amount based on the financial condition of the recipient.
  - c. Ensuring that the cumulative amount of funds lent remains within the prescribed limits.
  - d. Evaluating the impact on the company's operational risks, financial condition, and shareholder equity.
  - e. Determining the necessity of obtaining collateral and assessing its value.
  - f. Providing credit reports and risk assessment records for

the funding recipients.

2. Security

When processing loan transactions, the company should obtain an equivalent promissory note as collateral, and if necessary, arrange for the setting of movable or immovable property mortgages. If the debtor provides a guarantor with sufficient financial capacity and creditworthiness, the Board of Directors may consider using the guarantor instead of providing collateral, with reference to the Finance Department's credit report. If the company acts as a guarantor, attention should be paid to whether its articles of association include provisions allowing it to act as a guarantor.

3. Authorization Scope

Loan transactions conducted by the company, after credit investigation by the company's finance unit, should be approved by the Chairman and submitted to the Board of Directors for resolution. No other person shall be authorized to make decisions. The clear opinions of independent directors, whether in agreement or dissent, and the reasons for dissent, should be fully considered and recorded in the board meeting minutes. Loans between the company and its subsidiaries, or among its subsidiaries, shall be subject to approval by the Board of Directors as per the above provisions. The Chairman may be authorized to disburse loans in installments or on a revolving basis to the same borrower within a specified amount and period not exceeding one year, as determined by the Board of Directors.

Article 6. Loan term and interest calculation method

1. For those requiring short-term liquidity, the loan term is limited to one year. In cases where there are business relations or where this company directly or indirectly holds 100% of the voting shares in foreign companies or foreign companies holding 100% of the voting shares directly or indirectly in this company, engaged in lending, the loan term shall not exceed three years.
2. The loan interest rate shall not be lower than the highest rate at which this company borrows short-term from financial institutions. The calculation of interest on loans from this company shall be based on monthly interest payments as a principle, and adjustments may be made according to actual circumstances with the approval of the

board of directors in special situations.

3. For loans between foreign subsidiaries directly or indirectly holding 100% of the voting shares or foreign companies directly or indirectly holding 100% of the voting shares in this company, the interest calculation method may be carried out in accordance with the provisions of the second clause herein.

Article 7. Follow-up Control Measures for Loaned Amounts and Procedures for Overdue Debt Handling

1. After the loan disbursement, regular attention should be paid to the financial, business, and related credit conditions of the borrower and guarantor. If collateral is provided, any changes in its collateral value should be noted. In the event of significant changes, the chairman should be immediately notified, and appropriate actions should be taken as instructed.
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Article 8. Internal Controls

1. When conducting lending activities, this company shall establish a memorandum book to for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated the preceding article.
2. The public company's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the

implementation thereof no less frequently than quarterly and prepare written records accordingly. The independent directors shall be promptly notified in writing. Depending on the severity of the violation, appropriate disciplinary actions shall be taken against the managers and responsible personnel.

3. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, a public 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 9. Announcement and Reporting

1. The company shall, in accordance with the provisions of the " Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
2. The company whose loans of funds reach 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 loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
  - (2) The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.
  - (3) The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.
3. The public 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. The calculation of the proportion of loans granted by subsidiaries to net

worth as mentioned in the preceding paragraph shall be based on the proportion of loans granted by the subsidiary to the net worth of the company. The "date of occurrence" referred to in this procedure shall mean the earlier of the signing date, payment date, date of board resolution, or any other date sufficient to determine the borrower and amount of the loan.

Article 10. The management of fund lending to subsidiaries

1. Subsidiaries of this company intending to lend funds to others shall follow the operational procedures for fund lending to others established by the respective subsidiary.
2. When subsidiaries of this company intend to lend funds to others, besides situations stipulated in Article 9, Section 2, Subsections 1 to 3, which require approval from the Board of Directors of this company, such lending activities may proceed only after obtaining approval from the subsidiary's board of directors. After disbursing the loan, the subsidiary should regularly report the subsequent tracking of the lent amounts to this company. The situations referred to in Article 9, Section 2, Subsections 1 to 3, do not include fund lending activities among foreign companies in which this company directly or indirectly holds 100% of the voting shares. Fund lending among subsidiaries of this company shall be subject to the aforementioned requirements for board approval, and the Chairman of the subsidiary's board of directors may be authorized to make partial disbursements or revolving use of funds within a specified amount and not exceeding one year, subject to the board's resolution. The specified amount, except for fund lending among foreign companies in which this company directly or indirectly holds 100% of the voting shares, shall not exceed 10% of this company's latest audited net worth for fund lending to a single enterprise by this company or its subsidiaries.
3. The accounting department shall obtain a detailed statement of fund lending balances to others from each subsidiary at the beginning of each month.
4. The financial unit of this company shall periodically evaluate whether the subsequent control measures and overdue debt handling procedures of each subsidiary for the lent amounts are appropriate.

5. The internal audit personnel of this company shall periodically audit the adherence of each subsidiary to its "Operational Procedures for Fund Lending to Others," prepare audit reports, notify the respective subsidiaries of the findings and recommendations after review, and regularly produce follow-up reports to ensure timely implementation of appropriate improvement measures.

Article 11. Accounting processing

The accounting department assesses the loan situation and sets aside sufficient reserves for doubtful accounts, and appropriately discloses relevant information in the financial reports, providing the certified public accountant with necessary data to conduct required audit procedures.

Article 12. Penalties

Managers and responsible personnel of the company handling loans to others, if found to violate the " Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or the company's " Procedures for Lending Funds to Other Parties" shall be reported according to the reward and punishment regulations in the company's employee handbook and punished according to the severity of the situation.

Article 13. Implementation and Amendment

1. This operational procedure shall be submitted for approval by the company's Audit Committee, then passed by the Board of Directors, and implemented after obtaining approval from the shareholders' meeting. The same applies to amendments. In case of objections from directors with documented or written statements, such objections shall be recorded in the minutes of the board of directors and submitted for discussion at the shareholders' meeting.
2. The 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.