

**Sensortek Technology Corp.**  
**Procedures for Making Outward Loans to Others**

**Article 1: Purpose and basis**

The Company's Procedures for Loaning Funds to Others (the "Procedures") are formulated pursuant to Article 36-1 of the Securities and Exchange Act, "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and relevant laws by the competent authority.

**Article 2: Parties to whom the Company may loan its funds**

In accordance with Article 15 of the Company Act, the Company shall not lend its funds to shareholders or anyone except for parties with the following conditions:

- I. Companies having business relationship with the Company.
- II. Companies in need of short-term financing facility.

"Short-term" as referred to in the preceding paragraph means one year. However, it shall mean one operating cycle if the Company's operating cycle is longer than one year.

Person in charge of the Company who has violated the provisions of Paragraph 1 shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to the Company resulted there-from.

**Article 3: Reasons and necessity of loaning funds to others**

Paragraph 3 of Article 4 shall apply to loan of funds between the Company and other companies or firms having business relationship with the Company. Loan of funds for short-term financing needs shall be limited to:

- I. Invested companies of which the Company holds more than 20% of shares having short-term financing needs due to business requirements.
- II. Other companies or firms having short-term financing needs for material procurement or operational needs.
- III. Other loan of funds approved by the Board of Directors of the Company.

**Article 4: Limits on the total amount of loan of funds and individual borrowers**

- I. The total amount of fund loaned by the Company shall not exceed 40% of the net value of the Company based on its latest financial statements. However, for loan of funds for short-term financing needs, the total amount of fund lending shall be limited to the Company's total loanable funds.
- II. The total amount of inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or the total amount of loans extended by an overseas company in which the Company holds, directly or indirectly, 100% of the voting shares to the

Company, shall not exceed 40% of the net value on the most current financial statements of the Company applying for the loan, and the individual loan amount shall not exceed one half of the total loanable funds of the Company applying for the loan.

- III. The amount of funds loaned to individual companies or firms having business relationship with the Company shall not exceed the amount of business transactions between the two parties. The "amount of business transactions" refers to the total purchasing or selling amount, whichever is higher, within the last twelve months.
- IV. The amount of funds loaned to individual companies or firms having short-term financing needs shall not exceed one half of the Company's total loanable funds.

#### **Article 5: Procedures for handling loans of funds**

##### **I. Credit investigation**

When lending funds to other parties, the borrower shall first submit required company information and financial data to apply to the Company for financing credit in writing.

After receipt of the application, the finance unit shall conduct investigation and assess the scope of business, financial status, solvency and credit, profitability and purpose of the loan of the borrower. The finance unit shall also generate a report.

The finance unit shall conduct investigations and detailed assessment on the borrower. The assessment factors shall, at minimum, include:

- (I) The necessity and reasonableness of loan of funds to others.
- (II) The necessity of the loan amount as assessed by the financial status of the borrower.
- (III) Whether the accumulated loan amount is still within the limit.
- (IV) The impact of such loan on the Company's operational risk, financial status and shareholders' equity.
- (V) Whether collateral must be obtained and appraisal of the value thereof.
- (VI) Credit status and risk assessment of the lending party.

##### **II. Security**

When lending funds to other parties, the Company shall obtain IOUs or commercial promissory notes of amount equivalent to the loan and, shall, where necessary, establish procedures to acquire collateral or real estate as security to the loan.

All collateral, except for land and negotiable securities, shall be insured against fire. Vehicles and ships shall be insured against all risks, where in principle,

the amount of insurance shall not be less than the mortgage value of the collateral and the insurance policy shall indicate the Company as the beneficiary. The handling personnel shall pay attention to the premium date and notify the borrower to continue payment for the insurance premium before the expiration date.

For the aforesaid security, the borrower may provide individuals or companies with adequate financial position and credit as the guarantors in place of collateral. For company guarantors, the Board of Directors shall take reference to the credit report by the finance unit and shall pay attention to whether the Articles of Incorporation of the parties bear the terms to permit guarantees.

III. Scope to which authority is delegated

When lending funds to other parties, the Company shall carefully evaluate whether the loan is in accordance with the Procedures, and may not proceed until credit investigations by the finance unit is reviewed by the Chairman and submitted to the Board of Directors for resolution. Full consideration shall be given to the opinions of the independent directors and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counter-party, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counter-party to draw down.

The aforementioned "certain monetary limit" on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net value on the most current financial statements of the Company or the subsidiary, except in cases of companies in compliance with paragraph 2 of Article 4 herein.

**Article 6: Loan tenure and calculation of interest**

Each loan tenure shall be limited to one year.

The interest rate shall not be lower than the Company's highest short-term bank borrowing rate at the time of lending. Unless otherwise regulated, the interests shall be paid on a monthly basis, and one week before the agreed payment date, the Company shall notify the borrower to make timely interest payments.

**Article 7: Disbursement of funds**

Where the loan has been resolved by the Board of Directors, the Company may disburse funds only after the finance unit and the borrower have signed the contract

and gone through relevant formalities, registration for promissory note(s), IOU(s) or pledge(s)/mortgage(s) have been set up and registered, and all procedures have verified. Upon completion of procedures of each loan of funds, the finance unit shall record the loan amount and the collateral provided by each borrower in the "Detailed list of funds loaned to others." The finance unit shall also compile corresponding document and prepare vouchers for recording into the account.

**Article 8: Case registration**

The finance unit shall establish a memorandum book for its fund-lending activities and register in detail the borrower, amount, date of approval by the Board of Directors, date of disbursement, and matters carefully evaluated in accordance with the Procedures.

**Article 9: Measures for subsequent control and procedures for handling for delinquencies**

- I. Following the disbursement of loan funds, the Company shall closely monitor the financial status, business, and related credit status etc. of the borrower. In cases involving collateral, the Company shall closely monitor the value of the collateral and any change thereto. Should there be any material changes, the Chairman shall be notified immediately and corrective actions shall be carried out in accordance with the instruction of the Chairman.
- II. Borrowers, on or prior to the due date of the loan, shall calculate and pay the interest along with the loan amount. IOUs, collateral or guarantees shall be rescinded only when the principal and related interests have been repaid by the borrower.
- III. The borrower shall repay the principal plus interest by maturity. In the event that a loan is overdue or not repaid and an extension to the loan tenure is desired, advance application is required. Up to three extensions may be granted upon approval from the Board of Directors, with each extension not exceeding twelve months. For any violation of the provision, the Company may directly dispose the collateral provided, if any, or take legal actions against its collateral or guarantors.
- IV. The provisions of the preceding paragraph regarding extension of loan tenure shall not apply to short-term financing facility borrowers whose repayments are due.

**Article 10: Internal control**

- I. Internal auditors of the Company shall audit the Procedures for Lending Funds to Others and implementation thereof at least every quarter and prepare written records accordingly. Should there be any breaches found, the internal audit shall promptly inform the Audit Committee in writing.

- II. The loan of funds shall be handled in compliance with the Procedures and if any material breach is found, the relevant manager and handling personnel shall be subjected to disciplinary actions proportional to the gravity of the breach.
- III. Where as a result of changes of condition the borrower no longer meets the requirements, or there is any excess in lending limit in accordance to the Procedures, a rectification plan shall be drawn up and submitted to the Audit Committee, and accomplished in accordance to the schedule set out in the plan to enhance the Company's internal control.

**Article 11: Procedure for disclosure**

- I. The Company shall disclose the previous month's loan balances of the Company and subsidiaries by the 10th day of each month.  
"Disclose" as referred to in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
- II. The Company shall disclose such event within two days commencing immediately from the date of occurrence when the loans of funds reach one of the following levels:
  - (I) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net value as stated in its latest financial statement.
  - (II) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net value as stated in its latest financial statement.
  - (III) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the Company's net value as stated in its latest financial statement.
- III. The Company shall disclose 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 3 of the preceding paragraph.

"Date of occurrence" as referred to in the Procedures means the date of contract signing, date of payment, dates of Board of Directors resolutions, or other dates that can confirm the borrower and monetary amount of the loans, whichever date is earlier.

**Article 12:** The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures and audit reports.

**Article 13: Other important matters**

- I. Where a subsidiary of the Company intends to loan its funds to others, the Company shall request the subsidiary to formulate its own "Procedures for Loaning Funds to Others" in accordance to the Procedures. The formulated procedures shall be implemented after it had been submitted to the Audit Committee and/or Board of Directors and/or Shareholders' Meeting and approved. The subsidiary shall handle the loan of funds in accordance with the applicable procedures established by such subsidiary.
- II. The subsidiary shall report the amount of funds loaned to others, entity for which the loan is made to, and loan tenure before the fifth day of every month. However, when loans of funds reach the levels as set out in Paragraph 2 of Article 11 of the Procedure, the subsidiary shall notify the Company immediately so as to facilitate disclosures.
- III. Internal auditors of the Company shall audit the applicable Procedures for Loaning Funds to Others established by the subsidiaries and implementation thereof at least every quarter and prepare written records accordingly. Should there be any breaches found, the internal audit shall promptly inform the Audit Committee in writing.
- IV. "Subsidiary" and "Parent Company" as referred to in the Procedures are defined in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
- V. The net value as referred to in the Procedures means the owners' equity on the parent company's balance sheet of the Company's financial statements.
- VI. Matters not set forth in the Procedures shall be dealt in accordance with relevant laws and regulations and relevant regulations of the Company.

**Article 14: Implementation and revision**

The Procedures, and any amendments hereto, shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution before submitting to the Shareholders' Meeting for approval.

If approval of more than one-half of all Audit Committee members is not obtained pursuant to the preceding paragraph, the Procedures may be implemented if approved by more than two-thirds 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 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

When the Procedures is submitted to board meeting for discussion pursuant to the Paragraph 1, opinions from each independent director shall be considered thoroughly.

The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the board meeting.