

CHENG FWA INDUSTRIAL CO., LTD.

Procedures for Lending Funds to Other Parties

Article 1: Purpose

The purpose of this procedure is to provide a guideline for the company's operation of lending funds to others, to ensure the safety of the company's funds and the clarity of its claims.

Article 2: Legal Basis

This procedure is established in accordance with Article 36-1 of the Securities Exchange Act.

Article 3: Lending Targets

The targets for the company to lend funds are, as stipulated by Article 15 of the Company Act, limited to subsidiaries in which the company directly or indirectly holds more than 50% of voting shares and has a short-term funding necessity. The lending amount shall not exceed 40% of the net value of the borrowing company. The term "short-term" refers to one year. However, if the company's business cycle exceeds one year, the business cycle will be used as the standard. The aforementioned lending amount refers to the cumulative balance of the company's short-term funding.

The company's lending of funds to overseas companies in which it directly and indirectly holds 100% of the voting shares is not subject to the above restrictions (means one year and 40% of the net value of the business). But it still needs to follow Article 5, Clause 3, and Article 6 regulations on the total lending amount and the individual limits and terms for each target. If the person responsible for the company violates the regulation by lending funds exceeding the stipulated limit, he/she should bear joint liability for repayment with the borrower. If the company suffers damages, the person responsible should also bear liability for damages.

When lending funds to subsidiaries, all independent directors and directors' opinions should be fully considered. Their explicit agreement or opposition and reasons for opposition should be recorded in the board of directors' minutes.

Article 4: Reasons and Necessity for Lending Funds to Others

The subsidiaries, where the company directly or indirectly holds more than 50% of voting shares, require short-term funds due to business needs.

Article 5: Limits on the Total Lending Amount and Individual Targets

1. The total amount of funds the company lends to others shall not exceed 40% of the company's

net value.

2. The individual lending amount to subsidiaries that require short-term funds shall not exceed 25% of the company's net value.

3. Between the company and foreign companies where the company directly and indirectly holds 100% of voting shares, the total lending amount and individual limits shall not exceed 100% of the net value of the borrowing company.

Article 6: Loan Period and Interest Calculation

For cases in Article 3, the term for each loan is limited to one year. The interest on the loan shall not be lower than the company's lowest short-term borrowing rate from a financial institution and should be calculated monthly. In special circumstances, regarding interest calculation, with the approval of the board of directors, adjustments can be made according to actual needs. For cases where the company directly and indirectly holds 100% of voting shares in foreign companies, the loan period is limited to two years.

Article 7: Operation Procedure

I. Credit Investigation:

When the company handles the lending of funds, the subsidiary should first submit necessary company information and financial data and apply in writing to the company for the financing amount. After receiving the application, the finance department of the company should investigate and evaluate the business, financial situation, debt repayment ability and credit, profitability, and loan purpose of the borrower and prepare a report.

The financial department should conduct a detailed evaluation of the fund lending targets, and the evaluation items should at least include:

- (1) The necessity and rationality of lending funds to others.
- (2) The attached credit and risk assessment records of the fund lending targets.
- (3) The impact on the company's operational risks, financial situation, and shareholder equity.
- (4) Whether collateral should be obtained and the evaluated value of the collateral.
- (5) Whether the accumulated amount of fund lending is still within the limit.
- (6) Whether the amount of funds lent is necessary based on the financial situation of the fund lending target.

II. Security:

When the company carries out the lending of funds, it should obtain an equivalent amount of secured promissory notes. If necessary, movable or immovable property should be mortgaged. If the debtor provides a person or a company with sufficient financial strength and credit as a guarantor instead of providing collateral, the board of directors may refer to the credit report of the financial department; if the guarantor is a company, it should be noted whether its articles of association have provisions for providing guarantees.

III. Scope of Authorization:

When the company handles the lending of funds, after the company's finance department conducts

a credit investigation, it should be approved by the chairman and submitted to the audit committee and the board of directors for resolution.

The lending of funds between the company and its subsidiaries should be proposed to the board of directors in accordance with the preceding provisions and may authorize the chairman to lend in batches or recycle within a certain limit and not exceeding one year to the same lending target. The aforementioned certain limit shall not exceed 10% of the net value of the company's most recent financial statement.

Article 8: Follow-up Control Measures for the Amount of Loans and Handling Procedures for Overdue Debts

1. After the loan is disbursed, attention should be paid to the borrower's and the guarantor's finances, business, and related credit status. If collateral is provided, attention should also be paid to changes in the value of the collateral. If there are significant changes, the chairman should be immediately notified, and appropriate measures should be taken as directed.
2. When the borrower (the subsidiary) repays the loan at maturity or before maturity, the interest payable should be calculated first, and after the principal is repaid together, the promissory note loans, etc., can be cancelled and returned to the borrower or the mortgage right can be cancelled.
3. When the loan is due, the borrower (the subsidiary) should repay the principal and interest immediately.

Article 9: Internal Control

1. When the company handles the lending of funds, the finance department should establish a register for inspection, recording in detail the object, amount, board approval date, lending date, and items that should be prudently evaluated as per regulations.
2. The company's internal audit personnel should audit the lending procedure and its implementation at least quarterly and make written records. If significant violations are discovered, the audit committee should be notified in writing immediately. In case of significant violations, managers and main personnel involved should be punished depending on the severity of the violation.
3. If changes in circumstances lead to lending objects not conforming to this standard or when the balance exceeds the limit, an improvement plan should be formulated. The plan should be submitted to the audit committee and board of directors, and improvements should be completed according to the schedule to strengthen the company's internal control.

Article 10: Announcement and Reporting

- I. The company should announce and report the previous month's loan balance before the 10th of each month.
- II. If the company's loan balance meets one of the following standards, it should be announced and reported within two days from the date of the event:
 - (1) The balance of the company's loans to its subsidiaries is 20% or more of the net value of the

company's most recent financial statement.

(2) The company's loan balance to a single subsidiary is 10% or more of the net value of the company's most recent financial statement.

(3) The company's new loan amount is more than TWD 10 million and 2% or more of the net value of the company's most recent financial statement.

Announcement and reporting in this operation procedure refers to entering the information reporting website designated by the Financial Supervisory Commission. The date of the event in this operation procedure refers to the earlier of the contract signing date, payment date, board resolution date, or other dates sufficient to confirm the loan object and transaction amount.

Article 11: Subsidiaries' Lending to Others

I. The company's subsidiaries should not engage in lending to others. The subsidiaries and parent company referred to in this operation procedure should be recognized according to the provisions of the Financial Reporting Standards for Issuers. If financial reports are prepared according to International Financial Reporting Standards, the net value referred to in this operation procedure means the equity attributable to the parent company owner as stipulated in the Financial Reporting Standards for Issuers.

Article 12: Other Matters

I. The company should evaluate the lending situation and provide an appropriate amount of allowance for bad debts, disclose relevant information in financial reports, and provide related materials for accountants to perform necessary audit procedures and issue appropriate audit reports.

II he unexhausted matters of this operation procedure should be handled according to relevant laws and the company's related regulations.

Article 13: Effectiveness and Amendments

This operation procedure should be agreed by more than half of all members of the audit committee, submitted to the board for resolution, and reported to the shareholders for agreement. If not agreed by more than half of all members of the audit committee, it can be agreed by more than two-thirds of all directors. The resolution of the audit committee should be recorded in the minutes of the board of directors. If any director expresses dissent and it is recorded or declared in writing, the dissent should be reported to the shareholders for discussion. The same applies to amendments.

Article 14: Supplement

This procedure was established on June 28, 2017.

The first revision was made on June 6, 2019.

The second revision was made on June 10, 2022.

The three revision was made on June 28, 2023