BES Engineering Corp.

Procedures for Loaning of Funds and Making of Endorsements/Guarantees

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1.0 Purpose: to accommodate the operating needs, reducing the operating risks, while strengthen the management of the loaning funds to others and endorsement/guarantee to others, the Managerial Procedures are established.

2.0 Legal Basis: The Procedure is established pursuant to the Securities and Exchange Act, and other regulations by the Financial Supervisory Commission.

3.0 Scope:

3.1 Loaning fund: Any fund loaned to others by the Company due to the business actions or operating needs.

3.2 Endorsement/guarantee:

3.2.1 Financing endorsements/guarantees

(I) Bill discount financing.

(II) Endorsement or guarantee made to meet the financing needs of another company.

(III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

3.2.2 Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

3.2.3 Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

3.3 Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

4.0 Description of the Operation

4.1 Counterparties

4.1.1 Nature of

(I) The companies or entities have direct business relationships with the Company

(II) Where an inter-company or inter-firm short-term financing facility is necessary

(III) Any overseas company in which the Company holds directly or indirectly, 100% of the voting shares.

4.1.2 Endorsement

(I) The companies have direct business relationships with the Company

(II) Companies to which the Company holding more than 50% voting rights directly or indirectly.

(III)A company that directly and indirectly holds more than 50% of the voting shares in the Company.

(IV) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the public company. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

(V) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding four paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

4.2 Limit Determination

4.2.1 Loaning Funds

The standards and the amounts for the total amount of the loaning funds and the respective limits are as follows:

(1) The total amount of the loaning funds shall not exceed 40 percent of the Company's net worth.

(II) The limit of funds loaned to a single company or entity:

A. For these ones with business relationships, the limit is 4% of the Company's net worth, and not to exceed the amount generated from the business in the latest year with the Company.

B. For these one with short-term financing needs, the limit is 4% of the Company's net worth.

(III) The loaning of funds to the Company from overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares is not subject to the restrictions of provisions of 4.2.1 (1) and (2). The amount of loaning of funds provided to one single company shall not exceed 20% of the net worth of the Company and the accumulated total loans shall not exceed 60% of the net worth of the Company. The maximum period of loan is two years, and one extension is acceptable; provided that the extension period shall be limited to a maximum of one year.

4.2.2 Endorsement/Guarantee

The standards and the amounts for the total amount of the endorsement/guarantee and the respective limits are as follows:

(I) The total amount of the endorsement/guarantee may be provided by the Company and the subsidiaries, shall not reach three times of the net worth of the Company in the latest financial statements.

(II) The limit of the endorsement/guarantee provided by the Company and the subsidiaries to one single enterprise shall not exceed 2.5 times the net worth of the Company in the latest financial statements.

(III) The endorsement resulted from a business relationship, shall not exceed the amount generated from such relationship.

(IV) The limits authorized to the Chairman is determined by the board of directors.

4.3 Procedure of Application

4.3.1 Loaning funds: when borrowing, the borrower shall issue a letter to describe the borrowed amount, term, and reason, with the financial statements and other financial information for the review by the Company.

4.3.2 Endorsement/guarantee: for the endorsement/guarantee provided by the Company, the requester shall issue a letter to describe the type of endorsement/guarantee, amount, with the financial statements and other financial information for the review by the Company.

4.4 Procedure of Review

4.4.1 Loaning funds: the department in charge and the Finance Department shall review the provided information based on the following procedure. The review outcomes shall be submitted for ratification. Once the General Manager and the Chairman approve, the application is presented to the board of directors for resolution.

The necessity and reasonableness of loaning funds to others.

(I) Credit check and risk evaluation of the counterparties.

(II) The impacts to the operating risks, financial position, shareholders' interests.

(III) Whether obtain any collateral, and the evaluated value of such collateral.

4.4.2 Endorsement/guarantee: the department in charge and the Finance Department shall review the provided information based on the following procedure. The review outcomes shall be submitted for ratification. Once the General Manager and the Chairman approve, the application is presented to the board of directors for resolution.

(I) The necessity and reasonableness of endorsement/guarantee

(II) Credit check and risk evaluation of the counterparties

(III) The impacts to the operating risks, financial position, shareholders' interests.

(IV) Whether obtain any collateral, and the evaluated value of such collateral.

(V) For circumstances in which an entity for which the Company or any subsidiary makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed, other than complying with the previous paragraphs. In the case of a subsidiary with shares having no par value or a par value other than NT$10, for the paid-in capital in the calculation under this paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

4.5 Procedure of Resolution

4.5.1 Loaning funds: The Financial Department shall submit the evaluation outcomes set out in 4.4.1 to the board of directors for resolutions, but not authorize anyone else to decide.

4.5.2 Loans of funds between the Company and the 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 counterparty, 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 counterparty to draw down.

4.5.3 The "certain monetary limit" mentioned in the preceding paragraph, unless the provision of 4.2.1 (III) is complied, for authorization of loans extended by the Company or any subsidiary to any single

entity, it shall not exceed 4% of the net worth on the most current financial statements of the Company; or for a subsidiary, it shall not exceed 10% of the net worth on the most current financial statements of the subsidiary.

4.5.4 Endorsement/guarantee: The Finance Department shall submit the evaluation outcomes set out in 4.4.2 to the board of directors for resolutions; the board of directors may authorize the Chairman to determine within the limits set out in 4.2.2 (4), and then report to the latest board of directors' meeting for ratification.

4.5.5 Before making any endorsement/guarantee pursuant to 4.1.2 (4), a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

4.5.6 The Managerial Procedure for Loaning Funds to Others and Endorsement shall be approved by the Audit Committee and resolved by the board of directors, before submitted to the shareholders' meeting for approval. Shall there be any dissent of any director which is recorded or via written statement, such dissent shall be also sent to the Audit Committee and the shareholders' meeting for discussion. The same applies to the amendment.

4.5.7 Managerial Procedures for Loaning Funds to Others and Endorsement/Guarantee, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members; If the approval of one-half or more of all audit committee members is not obtained, the approval by two-thirds or more of all directors is deemed valid, 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" in the "all directors" in the preceding paragraphs shall be counted as the actual number of persons currently holding those positions.

4.6 Approval of Loaning of Funds

4.6.1 Upon the approval, the person in charge of the Finance Department shall inform the borrower, to specify the conditions of the loan, including the limit, term, rate, collateral, and the joint guarantor. The counterparty shall sign the contract before the deadline and complete any required process.

4.6.2 To secure the debt obligation, the borrower shall provide the promissory note with the same amount to the Company. The note will be presented to the bank by the date of the note upon repayment.

4.7 Contract Signing for Loaning of Funds

The contract of loaning of funds shall be consistent with the approved conditions of the loan. After the borrower and the joint guarantor(s) signed the contract of loan, the person in charge of the Finance Department shall complete the identity verification.

4.8 Setting up the Rights of Collaterals

If collaterals are required for loaning of funds or endorsement/guarantee pursuant to 4.4.1 and 4.4.2, a pledge or mortgage must be set up to secure the rights of the Company

4.9 Insurance

4.9.1 Among collaterals, except for lands and exchangeable securities, fire insurance is required for all collaterals; ships and vehicle must be fully insured. As the principle, the coverage shall not be less than the pledge value of the collateral. The Company shall be named as the beneficiary on the policy. The name of the underlying object, quantity, place of storage, terms of insurance, and the insurance approval must be consistent to the conditions of loan required by the Company.

4.9.2 The person in charge shall notify the counterparty of loaning of funds or endorsement/guarantee renew the insurance before expiry.

4.10 Disbursement, Term, and Interest Rate for Loaning of Funds

4.10.1 The disbursement is only made when the loaning of fund is approved, the contract is signed by the counterparty and submit the promissory notes, and the registration of collateral pledge/mortgage is done.

4.10.2 Term and Interest Rate

(I) The loaning of funds principally is for short-term financing, and the maximum term is one year. To extend the term, a new application must be made to the Company.

(II) The interest rate for loaning of funds shall not be lower than the maximum rate of short-term borrowing provided to the Company by financial institutions. The interests are accrued monthly, and the repayment of interest is tracked by the Finance Department.

4.11 Seals for Endorsement/Guarantee

4.11.1 The seal specifically used for endorsement/guarantee shall be the company seal registered with MOEA.

4.11.2 The seal must be maintained by the specified person approved by the board of directors, and the seal may only be made or for issuing notes pursuant to the procedure.

4.11.3 If guaranteeing an overseas company, the guarantee letter issued by the Company must be signed by the authorized person of the board of directors.

4.12 Matters to be recorded in the memorandum book: The Finance Department shall prepare a memorandum book for its fund-loaning and endorsement/ guarantee activities and record the information in detail.

4.12.1 Information to be recorded in the fund-loaning memorandum book:

(I) Borrower

(II) Amount

(III) Date of approval by the board of directors

(IV) Lending/borrowing date

(V) Matters to be carefully evaluated under 4.4 Evaluation Procedure and 4.5 Resolution Procedure.

4.12.2 Information to be recorded in the endorsement/guarantee memorandum book:

(I) Counterparty

(II) Amount

(III) Date of approval by the board of directors or determination by the Chairman

(IV) Date of endorsement/guarantee

(V) Matters to be carefully evaluated under 4.4 Evaluation Procedure and 4.5 Resolution Procedure.

4.13 Sorting and Maintaining the Loaning of Funds and Endorsement/Guarantee

Upon the disbursement of loans, or sealing/issuing notes for endorsement/ guarantee, the relevant contract, promissory notes, the documents of collateral, insurance policy, and correspondences shall be sorted in order and maintained properly.

4.14 The Finance Department shall actively track the expired loans or endorsements/guarantees to check if they are closed and written off. If any mortgage or collateral is provided for a repaid loan, the registration shall be canceled, or the pledge must be returned.

4.15 The Finance Department shall frequently check the financial position, business, and credit conditions of the borrowers of loans. If any collateral is provided, the value of such collateral must be paid attention to; shall there be any material change of such value, the board of director must be notified as a reference. The loans are not repaid or extended when expire, the provided collaterals will be disposed and claimed

pursuant to laws.

4.16 Internal Audit

4.16.1 The internal auditors shall audit the Operational Procedures for Loaning Funds to Others/Endorsement/Guarantee and the implementation thereof no less frequently than quarterly and prepare written records accordingly.

4.16.2 The internal auditors shall promptly notify all the Audit Committee in writing of any material violation found.

4.17 Amount exceeded

4.17.1 Loaning of funds: If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of these Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

4.17.2 Endorsement/Guarantee: Where the Company needs to exceed the limits set out in the Procedures to satisfy its business requirements, and where the conditions set out in the Procedures are complied with, the following decision-making procedure must be followed:

(I) With the approval from the board of directors, half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee.

(II) submit the same to the shareholders' meeting for ratification after the fact.

(III) If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.

(IV) Shall there be any independent director established, the aforementioned (1) When the board of directors discusses, 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.

If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, a public company shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

4.18 The Controlling Procedures to the Subsidiaries

4.18.1 Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operational Procedures for Loaning Funds to Others in compliance with the Regulations, and it shall comply with the Procedures when loaning funds. However, the net worth shall be based on the concerned subsidiary's net worth.

4.18.2 Subsidiaries shall prepare the details of the loaning funds to others, or endorsement/guarantees to others in the previous month, before the 5th day of each month; or the next day of the date of occurrence, as set out in 4.19, and sent to the Finance Department of the Company.

4.18.3 Subsidiaries' internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

4.18.4 The internal auditors of the Company shall review the self-check reports from subsidiaries, to understand the Operational Procedures for Loaning Funds to Others and the implementation thereof.

Shall there be any defect, the defect shall be followed for the improvement, and the tracking report shall be prepared to be presented to the General Manager and the Chairman.

4.19 Announcement and Report: means to enter the reporting website assigned by the Financial Supervisory Commission.

The "date of occurrence" in the Regulations means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.

4.19.1 General Announcement and Report

(I) Deadline of announcement and report: before the 10th day of each month.

(II) Content of the announcement and report: The Company and the subsidiaries' balance of the loaning funds and the endorsement/ guarantee of the previous month.

4.19.2 Special Announcement and Report

(I) Deadline of announcement and report: within two days from the day of the "date of occurrence"

(II) Standards of Announcement and Report

A. Loaning of Funds

1. The total balance of loans to others by the Company and the subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of loans by the Company and the 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 Company or the subsidiaries reaches NT$10 million or more, and reaches 2% or more of the Company's net worth as stated in its latest financial statement.

The 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 and report pursuant to subparagraph 3 of the preceding paragraph.

B. Endorsement/Guarantee

1. The total balance of endorsements/guarantees by the Company and the subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by t the Company and the subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and the subsidiaries for a single enterprise reaches NT$10 millions or more and the total amount of all endorsements/guarantees for, carrying value of equity method investment and balance of loans to such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.

The 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 and report pursuant to subparagraph 4 of the preceding paragraph.

4.20 Penalty for Breach: In case any manager or person-in-charge breach the Procedures, such persons will be penalized pursuant to the Regulations of Award/Penalty for Employees.

4.21 Disclosing the Information of the Financial Statements

4.21.1 Nature of

(I) It shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts.

(II) It shall adequately disclose relevant information in its financial reports

(III) It shall provide certified public accountants with relevant information for implementation of necessary auditing procedures.

4.21.2 Maximum limit of

(I) It shall evaluate or record the contingent loss for endorsements/guarantees

(II) It shall adequately disclose relevant information in its financial reports

(III) It shall provide certified public accountants with relevant information for implementation of necessary auditing procedures.

4.21.3 For the foreign companies specified in Article 165-1, Securities and Exchange Act (hereafter "foreign companies"), loaning of funds to others, endorsing others, or providing guarantee shall be proceeded pursuant to the Procedure.

The foreign companies without seals may be waived from the regulations of 4.11.

The net worth of the foreign companies calculated pursuant to the Procedure, refers to the owner's equity attributed to the parent company in the balance sheet.

For the financial reports of the public-listed company prepared according to the IFRS, the net worth referred in the standards, is the owner's equity attributed to the parent company in the balance sheet set out in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.22 The Procedure, and any amendments hereto, shall be implemented after approval by a shareholders meeting.