

# Sitronix Technology Corp.

## Operational Procedures for Loaning of Funds to Others

Amendment Date: July 27, 2021

### Article 1 Purpose and Basis

The Company's "Procedures for Lending Funds to Other Parties" were established in accordance with Article 36-1 of the Securities and Exchange Act, the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and the relevant regulations of the competent authorities.

### Article 2 Loan Recipients

Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- I. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
- II. Where an inter-company or inter-firm short-term financing facility is necessary.

The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.

When a responsible person of a company violates paragraph 1 or the proviso of the preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the company suffers damage, the responsible person also shall be liable for damages.

### Article 3 Reasons and Necessity for Lending

Lending money to any company or entity due to the business relationship with the Company shall proceed in accordance with Article 4(3); lending money to any company or entity due to the need for short-term financing shall proceed in accordance with the following circumstances:

- I. Any company or entity, which the Company owns more than 20% of its shares, is in need of short-term financing for its business operations.
- II. Any company or entity that is in need of short-term financing for purchasing of materials or for operating capital.
- III. Any other situations approved by the Board of Directors of the Company.

### Article 4 Maximum Amount of Lending & Limitation to Individuals

- I. The total amount of loans shall not exceed 40% of the net value of the Company's latest annual audited financial statements, except that the total amount of funds loaned by the Company to others for short-term intercompany or intercompany financing shall be limited to the total loanable amount of the Company.
- II. If a foreign company in which the Company directly or indirectly

holds 100% of the voting shares engages in a loan of funds to the Company, or if a foreign company in which the Company directly or indirectly holds 100% of the voting shares engages in a loan of funds to the Company, the total amount of the loan of funds shall not exceed 40% of the net value of the financial statements of the company from which the funds were loaned for the most recent year audited by a certified public accountant, and the amount of individual loans shall not exceed one-half of the total loanable funds of the company.

- III. Each single lending transaction to any company or business entity, which has business relationship with the Company, shall not exceed the business transaction amount between the parties. "Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher.
- IV. Each single lending transaction to any company or entity in need of short-term financing shall not exceed one-half of the Company's total loanable funds.

## Article 5 Procedures of Lending

### I. Credit status

Before conducting the lending to others, the borrower shall apply to the Company in writing, citing the amount of the loan, along with necessary business and financial information of the Company.

After accepting the application, the finance department shall investigate, evaluate and prepare a credit report on the borrower's businesses, financial condition, capability of repayment and credit record, capability of profitability, and the purpose of the loan.

The finance department shall conduct credit checks on the borrower and conduct a risk analysis. The matters to be assessed shall include at least the following:

- (I.) The necessity and reasonableness of lending;
- (II.) Based on the borrower's financial condition, determine whether or not the amount to be loaned is necessary;
- (III.) Whether or not the cumulative and single lending transaction amount proposed to be loaned is within the limit;
- (IV.) The impact on the Company's business operations, financial condition, and shareholders' equity.
- (V.) Whether collateral must be obtained and appraisal of the value thereof.
- (VI.) Attach credit and risk assessment records of the borrower.

### II. Insurance

While processing all matters involving the lending money to others, the Company shall acquire the IOU or promissory note in the same amount of the loan from the borrower, and if necessary, obtain real property or personal property as collateral.

In addition to land and securities, collaterals shall all be insured against fire. There should be all-risk insurance for vehicles and

ships. The insurance amount shall be no less than the value of collateral and the Company shall be designated as the beneficiary on the insurance policy. The designated personnel shall also pay attention to the borrowers to ensure their continued coverage before the expiration of the insurance.

If the debtor can provide any individual or company with proof of substantial financial capability and credibility as a guaranty to substitute the assets provided as collateral, the Board of Directors may process in accordance with the credit report acquired by the financial department. In case that a company is the guarantor for the loan, it shall be attention to the Articles of Incorporation to determine whether or not there is any provisions stating that such situation is permissible

### III. Scope of Authorization

The Company shall prudently evaluate whether the lending of funds is in compliance with the provisions of these Procedures, and shall submit the matter to the Chairman for approval and submit it to the Board of Directors for a resolution after the Company's financial unit has acquired the credit report, and shall not authorize others to make the decision. The opinions of the Board of Directors shall be fully considered, and the reasons and precise opinions for and against shall be recorded in the minutes.

When the loan is made between the Company and its subsidiaries or between its subsidiaries, the board of directors shall have the ability to authorize a revolving or installment loan to the same borrower with the loan amount less than the total amount decided during the board meeting within a year.

Except as provided in Article 4(2), the balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.

### Article 6 Term of Lending and Calculation of Interest

Each loan shall have a term of less than one year.

The interest rate of lending shall not be lower than the maximum interest rate of financial institutions that charge on short-term loans to the Company. Unless otherwise specified, interest on the Company's loans shall be charged on a monthly basis, and the borrower shall be notified one week prior to the scheduled interest payment date of the interest payment.

### Article 7 Funding

After the loan is approved by the board of directors, the finance unit and the borrower sign the contract and complete the related procedures, and then the promissory note, IOU or collateral pledge shall be registered and all procedures shall be verified and approved before funding. Upon completion of the procedures for each loan of funds, the financial unit shall record the amount of each borrower's loan and the collateral provided in the "Schedule of Loan of Funds to Others" and prepare an invoice with the relevant documents for accounting entries.

Article 8 Case Registration

The finance unit shall establish a book of accounts for inspection. This book of accounts shall record, for inspection, to which the money has been lent, the amount lent, the date that the Board of Directors made its approval, the date the money was lent and other matters which shall be assessed carefully under these Procedures.

Article 9 Subsequent Control Over Lending and Procedures of Overdue Credits

- I. After the disbursement of the loan, the responsible department shall always pay attention to the borrower and guarantor's financial, business and credit status. If there is any collateral, the responsible department shall also pay attention to whether or not the value of the collateral has fluctuated. When the fluctuation is substantial, it shall immediately report to the Chairman of the Board of Directors and take appropriate actions according to his/her instructions.
- II. When the loan is due or repayment is made prior to the due date, the borrower shall calculate the interest accrued on the loan and repay such interest with the principal so that the promissory note can be cancelled and returned to the borrower or any mortgage on collateral can be cancelled thereafter.
- III. The borrower shall, at the time the loan is due, immediately repay the principal amount. In the event that the loan cannot be repaid on maturity and needs to be extended, a request for extension shall be submitted in advance and approved by the Board of Directors. Each extension of repayment shall not exceed twelve months and shall be limited to three times. If the borrower fails to do so, the Company may take action against the collateral or guarantor provided by the borrower and recover the amount in accordance with the law.
- IV. The borrowers of short-term financial loans are not eligible for the extension of the above-mentioned loans.

Article 10 Internal control

- I. The Company's 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.
- II. The Company shall follow the prescribed procedures when applying for loans, and if significant violations are found, the manager and the organizer shall be penalized according to the violation.
- III. If, as a result of a change in circumstances, an entity for which the loan is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the 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 to strengthen the internal control of the Company.

Article 11 Announcement and Filing Procedures

- I. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.

The term "announce and report" as used in these Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).

- II. 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:

- (I.) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.

- (II.) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth 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 percent or more of the Company's net worth as stated in its latest financial statement.

- III. The Company shall announce and report the lending of funds by its subsidiaries, which are not domestic public companies, if the balance of the funds reaches the criteria for announcement and reporting pursuant to subparagraph 3 of the preceding paragraph of these Procedures.

"Date of occurrence" in these 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.

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.

Article 13 Other Notes

- I. In the event that a subsidiary of the Company intends to lend money to others, the Company shall supervise the subsidiary to establish "Procedures for Loaning Funds to Others" in accordance with the provisions of these Procedures and submit them to its Audit Committee and/or Board of Directors and/or Shareholders' Meeting for resolution in accordance with the provisions, and shall supervise the subsidiary to follow the established procedures.
- II. The subsidiary shall report to the Company the amount, object and term of the loan by the fifth day of each month, but shall notify the Company immediately if the criteria set forth in Article 11, Paragraph 2 of these Procedures are fulfilled, so as to facilitate the

announcement and reporting.

- III. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation of its subsidiaries 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.
- IV. "Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- V. "Net worth" in these Regulations 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.
- VI. Any matters not covered in these Procedures shall be handled in accordance with applicable laws and the Company's regulations.

#### Article 14 Implementation and Amendment

These Procedures, and any amendments hereto, shall be approved by more than half of audit committee members and delivered to the Board of Directors for adoption and submitted to the shareholders' meeting for approval.

If the consent of more than half of audit committee members as required in the preceding paragraph is not obtained, 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 are submitted for discussion by the Board of Directors pursuant to Paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. 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.