

Sitronix Technology Corp.

Operational Procedures for Endorsements

Amendment Date: June 26, 2019

Article 1 Purpose and Basis

The Company's Operational Procedures for Endorsements (hereinafter referred to as "Procedures") 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 Scope of Application

The term "endorsements/guarantees" as used in these Procedures refers to the following:

- I. Financing endorsements, including:
 - (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.
- II. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
- III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

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 these Procedures.

Article 3 Endorsement/Guarantee Objects

- I. The Company may make endorsements/guarantees for the following companies:
 - (I.) A company with which it does business.
 - (II.) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
 - (III.) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company
- II. Companies in which the Corporation directly and/or indirectly holds 90 percent or more of the voting shares may make endorsements or guarantees for each other, subject to a maximum amount of 10 percent of the Company's net worth. 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.

"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.

"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.

Article 4 Maximum amount limits for endorsements and guarantees

- I. The total amount for endorsement/guarantee to other entities of the Company shall not exceed 50 percent of the reported net value of the Company's latest annual audited financial statements.
- II. The endorsement/guarantee to single entity shall not exceed 20 percent of the reported net value of the Company's latest annual audited financial statements. However, the amount of the guarantee endorsed to a single enterprise subject to Article 3, Paragraph 1, Clause 2.3. shall not exceed 50 percent of the net value of the Company's latest annual audited financial statements.
- III. If the endorsements/guarantees are caused by the business relationship, in addition to the limitations stipulated in the previous items, the amount of individual endorsement and guarantee shall not exceed the total trade amount. "Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher.
- IV. The total amount of endorsement and guarantee that the Company and its subsidiaries as a whole may provide shall not exceed 50 percent of the net value of the Company's latest annual audited financial statements. The endorsement/guarantee to single entity shall not exceed 20 percent of the reported net value of the Company's latest annual audited financial statements.

Article 5 Hierarchy of decision-making authority and delegation thereof

- I. The endorsement/guarantee items of the Company shall be made only after the decision of the Board of Directors of the Company in accordance with Article 6 of these Procedures. The opinion of independent directors shall be fully taken into consideration. In addition, the opinion on agreeing or dissenting and dissentient reason shall be recorded in the minutes of the Board of Directors. However, the Board of Directors shall authorize the Chairman of the Board of Directors to act for business purposes up to NT\$50 million, which shall be subject to ratification by the most recent Board of Directors.
- II. In the event that the Company's endorsement and guarantee exceeds the amount stipulated in Article 4 of these Procedures and the conditions stipulated in these Procedures are met, the Board of Directors shall agree and more than half of the Directors shall jointly and severally guarantee the Company's potential losses arising from the excess amount and amend these Procedures and submit them to the shareholders' meeting for ratification; if the shareholders' meeting does not agree, a plan shall be formulated to eliminate the excess amount within a certain period of time.
- III. Before the Company's subsidiaries directly or indirectly owning more than 90 percent of the voting shares provide endorsement and guarantee in accordance with Article 3, Paragraph 2, the endorsement and guarantee shall be submitted to the Company's board of directors for resolution. 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.

Article 6 Processing procedure for the endorsement/guarantee:

- I. When processing the endorsement guarantee, the financial unit shall, based on the application of the target of the endorsement guarantee, examine the eligibility of the target, whether the amount of the endorsement guarantee complies with the provisions of this procedure, and whether it has reached the standards to be announced and reported. The Company shall submit the relevant endorsement and guarantee to the chairman of the board of directors for approval after stating the content, reasons and risk assessment results of the endorsement and guarantee. If the endorsement is within the authorized amount, the chairman of the board of directors shall directly approve the endorsement based on the creditworthiness and financial condition of the counterparty.
- II. The financial unit shall conduct an investigation and detailed evaluation review of the endorsed guarantee company, which shall include, but not limited to:
 - (I.) The necessity of and reasonableness of endorsements/guarantees.
 - (II.) The financial condition of the endorsed company is used to measure whether the endorsement amount is necessary.
 - (III.) Whether the cumulative amount on all of the endorsements/guarantees have exceeded the amount ceiling.
 - (IV.) Where an endorsement/guarantee is made due to needs arising from business dealings, evaluation standards shall be specified for determining whether the amount of an endorsement/guarantee is commensurate the total amount of trading between the two companies.
 - (V.) The impact on the Company's business operations, financial condition, and shareholders' equity.
 - (VI.) Whether collateral must be obtained and appraisal of the value thereof.
 - (VII.) Attach endorsement guarantee credit and risk assessment records.
- III. When the Company assesses the need to obtain collateral for the endorsement and guarantee, the Company shall create a pledge or mortgage to ensure the Company's rights.

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.
- IV. The financial unit shall keep a record of the endorsement and guarantee. After the Board of Directors has approved or the Chairman of the Board of Directors has approved the endorsement, the Company shall apply for the seal in accordance with the prescribed procedures, and the details of the object and amount of the endorsement, the date of approval by the Board of Directors or the Chairman of the Board of Directors, the date of the endorsement and the matters that should be carefully evaluated in accordance with the preceding provisions shall be recorded in the record book for inspection, and the relevant instruments, contracts and other documents shall

be photocopied for safekeeping.

- V. The financial unit shall prepare a monthly schedule of guarantees incurred and cancelled to control the tracking and reporting of announcements. The financial unit shall assess and recognize contingent losses on endorsement guarantees on a quarterly basis and disclose the endorsement guarantee information and provide relevant information of the CPA in the financial report.
- VI. If, due to a change in circumstances, the Company's endorsement/guarantee counterparty originally complied with these Procedures but subsequently does not comply with these Procedures, or if the amount of the endorsement/guarantee exceeds the prescribed limit due to a change in the basis for calculating the limit, the amount of the endorsement/guarantee counterparty or the excess amount shall be eliminated upon the expiration of the contract period, or an improvement plan shall be formulated by the finance department and approved by the chairman of the board of directors and eliminated within a certain period of time, and the relevant improvement plan shall be sent to the audit committee and reported to the board of directors in accordance with the planned improvement schedule.
- VII. Upon expiration of the endorsement guarantee, the financial unit shall take the initiative to notify the guaranteed enterprise to withdraw the guaranteed notes left with the bank or the creditor, and cancel the relevant deed of the endorsement guarantee, or obtain the record of the cashing of the notes to be recorded in the record book for write-off.
- VIII. If the counter-party to the endorsement is a subsidiary whose net worth is less than half of the paid-in capital, the financial status of the counter-party to the endorsement shall be tracked on a quarterly basis, and if abnormalities are found, a written report shall be made to the Audit Committee with recommendations and countermeasures and reported regularly.

If the stock of a subsidiary has no par value or has a par value other than NT\$10 per share, the amount of paid-in capital calculated in accordance with the preceding paragraph 8 shall be the sum of the share capital plus capital surpluses minus the original issue premium.

Article 7 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 endorsement and guarantee, and if significant violations are found, the manager and the organizer shall be penalized according to the violation.

Article 8 Seal Custody and Procedures

- I. The Company's seal for external guarantees shall be the company seal registered with the Ministry of Economic Affairs as the special seal for endorsement guarantees, and the seal shall be kept by a person in charge of the seal and shall be used or issued in accordance with the operating procedures stipulated in the "Seal Management Regulations" of the Company. The custodian of the endorsement guarantee seal shall

be reported to the board of directors for approval; the same applies to any change of the seal.

- II. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

Article 9 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 50 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 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (III.) The total amount of guarantees endorsed by the Company and its subsidiaries to a single company is at least NT\$10 million and the total amount of guarantees endorsed, the carrying amount of investments accounted for by the equity method, and the balance of loans of funds is at least 30 percent of the Company's most recent net financial statements.
 - (IV.) The amount of the new endorsement guarantee by the Company or the Company's subsidiaries reaches at least NT\$30 million and at least 5 percent of the net value of the Company's most recent financial statements.
- III. 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.

"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 10 The Company shall evaluate or recognize contingent losses on endorsements and guarantees and disclose the endorsement information in the financial statements, and provide the related information to the accountants for them to perform the necessary audit procedures and issue appropriate audit reports.

Article 10-1 In accordance with the provisions of Article 165-1 of the Securities and Exchange Act, foreign companies (hereinafter referred to as foreign companies) that endorse or provide guarantees for others shall apply these procedures.

If the foreign company does not have corporate chops, it may be exempted from application of the provisions of Article 8, paragraph 1.

Net worth of a foreign company as calculated under these Regulations means the balance sheet equity attributable to the owners of the parent company.

Article 11 Other Notes

- I. When a subsidiary of the Company intends to endorse or provide guarantees for others, the Company shall order the subsidiary to establish "Procedures for Endorsement and Guarantee" in accordance with the provisions of these Procedures, and shall follow the procedures established and submit them to the Company's board of directors for approval.
- II. The subsidiary shall report to the Company the amount, object and term of the endorsement guarantee by the fifth day of each month, but shall notify the Company immediately if the criteria set forth in Article 9, Paragraph 2 of these Procedures are fulfilled, so as to facilitate the announcement and reporting.
- III. The Company's internal auditors shall audit the subsidiary's endorsement assurance procedures and their implementation at least quarterly and make written records of such audits. If significant violations are found, the Company shall immediately notify the Audit Committee in writing.
- IV. Any matters not covered in these Procedures shall be handled in accordance with applicable laws and the Company's regulations.

Article 12 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.