

Silicon Optronics, Inc.

Operational Procedures for Lending Funds to Others

Article 1:

To provide guidance for the Company in lending funds to others, these Procedures are established in accordance with the Regulations Governing the Lending of Funds and Making of Endorsements/Guarantees by Public Companies to ensure compliance.

Article 2:

When the Company lends funds to others, it shall do so in accordance with these Procedures. However, if otherwise provided by other applicable laws or regulations, such provisions shall prevail.

Article 3:

Parties to Whom the Funds May Be Lent:

In accordance with the Company Act, the Company shall not lend its funds to any shareholder or other person except under the following circumstances: :

1. Where there is a business relationship between the Company and the borrower; or
2. Where there is a need for short-term financing between the Company and the borrower.

The term “short-term” referred to above means a period of one year or one business cycle, whichever is longer.

Article 4:

Lending Limits:

1.For Business-Related Parties:

(1) Limit per Individual Counterparty:

The lending limit for each counterparty shall be assessed based on the amount of business transactions between the counterparty and the Company during the most recent six months. However, the total amount of loans to any single counterparty shall not exceed 3% of the Company's net worth.

(2) Aggregate Lending Limit:

The total amount of loans to all business-related parties shall not exceed 10% of the Company's net worth.

2.For Parties in Need of Short-Term Financing:

(1) Limit per Individual Counterparty:

The lending limit for each counterparty shall be assessed based on its funding requirements for business operations within one year. However, the total amount of loans to any single counterparty shall not exceed 3% of the Company's net worth.

(2) Aggregate Lending Limit:

The total amount of loans to all such counterparties shall not exceed 10% of the Company's net worth.

3.Overall Lending Limit of the Company:

The total amount of funds lent by the Company to others shall not exceed 20% of the Company's net worth.

Article 5:

Lending Period and Interest Calculation Method:

The lending period for each loan extended by the Company shall not exceed six months.

The interest rate for such loans shall not be lower than the basic lending rate announced by the Bank of Taiwan on the first day of the month in which the loan agreement is executed.

Article 6:

Procedures for Handling and Review:

- 1 、 When the Company intends to lend funds to others, the responsible department shall first conduct an investigation and evaluation of the borrower's business operations, financial condition, repayment capability, credit standing, profitability, and purpose of the loan. A report shall then be prepared specifying the maximum lending amount, lending period, and interest rate, and submitted to the Audit Committee and Board of Directors for approval before implementation.
- 2 、 When lending funds, if deemed necessary by the Audit Committee and the Board of Directors, the borrower shall provide collateral equivalent to the loan amount to ensure the integrity of the creditor's rights. If a borrower provides a guarantor with sufficient financial capability in lieu of collateral, the Audit Committee and the Board may decide based on the findings and recommendations of the evaluating personnel.
- 3 、 If, after the credit investigation and evaluation conducted by the responsible department, the borrower's credit assessment is unsatisfactory or the loan purpose is deemed improper, the responsible personnel shall state the reasons for rejection, obtain preliminary review by the department head, and forward the case to the General Manager and Chairman for final review before replying to the applicant. For cases where the borrower's credit evaluation is satisfactory and the loan purpose is appropriate, the responsible department shall prepare a credit report and recommendations, specify the proposed lending conditions, submit the case for preliminary review by the department head, and then forward it to the General Manager and Chairman for final review. The case shall be executed only after approval by the Audit Committee and the Board of Directors.
- 4 、 The review process for lending funds shall include the following:
 - (1) The necessity and reasonableness of the loan.
 - (2) The borrower's creditworthiness and risk assessment.
 - (3) The potential impact on the Company's operational risks, financial condition, and shareholders' equity.
 - (4) The necessity of obtaining collateral and the evaluation of its value.
- 5 、 When the lending of funds is submitted to the Board of Directors for resolution, the opinions of independent directors shall be fully considered. Any dissenting or qualified opinions expressed by independent directors shall be recorded in the minutes of the Board meeting.

Article 7:

Post-Lending Management and Reporting:

- 1 、 After the Company completes any lending of funds, the responsible department shall prepare a register book to record details such as the borrower, loan amount, date of

approval by the Board of Directors, date of disbursement, and all other matters that should be prudently evaluated in accordance with these Procedures.

- 2、The Company shall evaluate the status of each loan, provide adequate allowance for doubtful accounts, and disclose relevant information appropriately in its financial reports. The Company shall also provide relevant data to the certified public accountant for necessary audit procedures to ensure the issuance of a proper audit report.
- 3、The Internal Audit Department shall periodically inspect and evaluate the implementation of these Procedures, prepare written reports, and, in the event of any material violation, promptly notify the supervisors in writing.
- 4、If any receivable becomes overdue and remains uncollected after collection efforts, the Company shall promptly take legal action against the debtor to protect the Company's rights and interests.
- 5、Any matters required to be reported to the competent authority shall be handled in accordance with the applicable regulations.

Article 8:

Control Procedures for Subsidiaries' Lending of Funds to Others:

- 1、If any subsidiary of the Company intends to lend funds to others, it shall also establish its own procedures for lending funds and handle such matters in accordance with these Procedures. The calculation of net worth shall be based on the subsidiary's net worth.
- 2、Each subsidiary shall, at the end of every month, prepare a detailed schedule of its lending of funds to other companies and submit it to the Company for review.
- 3、The internal audit department of each subsidiary shall periodically inspect and evaluate the implementation of these Procedures, prepare written records, and, in the event of any material violation, promptly notify the Company's internal audit department in writing. The Company's internal audit department shall then forward the relevant written reports to all independent directors.
- 4、When the Company's internal auditors conduct audits at subsidiaries in accordance with the annual audit plan, they shall also review the implementation of the subsidiary's procedures for lending funds to others. If any deficiencies are found, the auditors shall continue to follow up on the corrective actions and prepare a follow-up report to be submitted to the independent directors and the Board of Directors.

Article 9:

Information Disclosure:

- 1、The Company shall, before the tenth (10th) day of each month, publicly disclose and report the balance of fund lending by the Company and its subsidiaries as of the end of the preceding month.
- 2、When the amount of any fund lending by the Company reaches the threshold prescribed by the competent authority, the Company shall make a public announcement and file a report within two (2) days from the date of occurrence.
- 3、If any of the Company's subsidiaries is not a domestic public company, and such subsidiary encounters any circumstance requiring public announcement and reporting as mentioned in the preceding paragraph, the Company shall make the required public announcement and filing on behalf of the subsidiary.

- 4、The Company shall evaluate the status of its fund lending, provide adequate allowance for doubtful accounts, disclose relevant information properly in its financial reports, and provide necessary information to the certified public accountant for performing required audit procedures.

Article 10:

Penalties:

Managers and responsible personnel of the Company who violate these Procedures shall be liable for any damages incurred, in accordance with the relevant laws and regulations.

Article 11:

Implementation and Amendment:

These Procedures shall be implemented after approval by one-half or more of all members of the Audit Committee, followed by a resolution of the Board of Directors, and shall be submitted to the shareholders' meeting for approval. The same procedure shall apply to any amendments hereto.

When these Procedures are submitted to the Board of Directors for discussion, if any director expresses dissent and such dissent is recorded or presented in a written statement, the dissenting opinion shall be submitted to the shareholders' meeting for discussion.