

Silicon Optronics, Inc.

Operational Procedures for Endorsements and Guarantees

Article 1 :

To provide guidance for the Company in handling endorsements and guarantees, these Operational Procedures for Endorsements and Guarantees 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 makes an endorsement or provides a guarantee for others, such actions shall be handled in accordance with these Procedures. However, if otherwise provided by applicable laws or regulations, such provisions shall prevail.

Article 3 :

The scope and definition of endorsements and guarantees referred to in these Procedures are as follows:

1. Financing Endorsements and Guarantees:
 - (1) Endorsement or guarantee made for the purpose of bill discounting financing.
 - (2) Endorsement or guarantee made for the financing of another company.
 - (3) Issuance of negotiable instruments as security to non-financial enterprises for the Company's own financing purposes.
2. Customs Duty Endorsements and Guarantees:

Refers to endorsements or guarantees made in connection with customs-related matters for the Company or other companies.
3. Other Endorsements and Guarantees:

Refers to any endorsements or guarantees not classified under the two categories above.
4. When the Company provides its movable or immovable property as collateral in the form of a pledge or mortgage for another company's loan, such matters shall also be handled in accordance with these Procedures.

Article 4 :

The parties for whom the Company may make endorsements or provide guarantees are as follows:

1. Companies that have business relationships with the Company.
2. Companies in which the Company directly or indirectly holds more than 50% of the voting shares.
3. Companies that directly or indirectly hold more than 50% of the voting shares of the Company.
4. Endorsements or guarantees may be made between companies in which the Company directly or indirectly holds 100% of the voting shares.

Article 5 :

Limits on Endorsements and Guarantees:

1. Limit per Individual Counterparty:

The total amount of endorsements and guarantees made for any single counterparty shall not exceed 6% of the Company's net worth.
2. Aggregate Limit of the Company:

The total amount of all endorsements and guarantees made by the Company shall not exceed 20% of the Company's net worth.

3. Endorsements or Guarantees Made Due to Business Transactions:

Where endorsements or guarantees are made due to business relationships, the total guarantee amount shall not exceed the total transaction amount between the two parties during the most recent fiscal year, whichever is higher between purchases and sales.

4. The term “net worth” referred to above shall be based on the amount stated in the most recent financial statements audited or reviewed by a certified public accountant (CPA).

Article 6 :

Decision-Making and Authorization Levels:

1. Any endorsement or guarantee to be made by the Company shall first be approved by the Audit Committee and the Board of Directors before execution.

However, to meet timing requirements, the Board of Directors may authorize the Chairperson to execute such matters within 50% of the limits specified in Article 5, and subsequently submit the case to the next Audit Committee and Board of Directors meetings for ratification, with the relevant details reported to the shareholders’ meeting for record.

2. When the Company engages in endorsements or guarantees, the opinions of independent directors shall be fully considered.

If any independent director expresses an objection or a qualified opinion, such opinion shall be recorded in the minutes of the Board of Directors meeting.

Article 7 :

Procedures for Handling Endorsements and Guarantees:

1. When a company for whom an endorsement or guarantee is provided utilizes its approved credit limit, the responsible department of the Company shall compile and summarize relevant documents, including:

the name of the endorsed or guaranteed company, the matters guaranteed, the results of risk assessment, the amount of the endorsement or guarantee, the details of any collateral obtained, and the conditions and date for release of the Company’s guarantee liability.

2. The review procedures for endorsements and guarantees conducted by the Company shall include the following:

(1) The necessity and reasonableness of the endorsement or guarantee;

(2) The credit investigation and risk assessment of the party receiving the endorsement or guarantee;

(3) The impact on the Company’s operational risk, financial condition, and shareholders’ equity; and

(4) The need to obtain collateral and the appraised value of such collateral.

3. The responsible department shall submit the aforementioned information to the Chairperson or the Board of Directors in accordance with Article 6, as a reference for risk evaluation.

Within the authorization limit granted to the Chairperson, such matters may be executed first and subsequently submitted to the next Board meeting for ratification; or, they may be processed directly after a Board resolution.

4. When the endorsed or guaranteed company has repaid the loan or when the reason for the endorsement or guarantee no longer exists, such company shall notify the Company and provide relevant repayment information, so that the Company may release its guarantee liability.

Article 8 :

Control Procedures for Subsidiaries’ Endorsements and Guarantees:

1. If any subsidiary of the Company intends to make endorsements or provide guarantees for

others, it shall also establish its own Operational Procedures for Endorsements and Guarantees and handle such matters in accordance with these Procedures. The calculation of net worth shall be based on the subsidiary's own net worth.

2. Each subsidiary shall, at the end of every month, prepare a detailed schedule of its endorsements and guarantees for others and submit it to the Company for review.
3. The internal auditors of each subsidiary shall periodically audit the implementation and execution of its endorsement and guarantee procedures and prepare written records. In the event of any material violation, the subsidiary shall promptly notify the Company's internal audit department in writing, and the Company's internal audit department shall forward the relevant written reports to the Audit Committee.
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 subsidiaries' endorsement and guarantee procedures. If any deficiencies are identified, they shall continuously follow up on the corrective actions and prepare a follow-up report to be submitted to the Audit Committee and the Board of Directors.

Article 9 :

Seal for Endorsements and Guarantees:

The corporate seal registered with the Ministry of Economic Affairs shall be used as the exclusive seal for endorsements and guarantees of the Company. However, if a subsidiary is incorporated overseas, the corporate seal registered with the local authority shall be used as its exclusive seal for endorsements and guarantees. The seal and negotiable instruments for endorsements and guarantees shall be kept separately by designated personnel, and affixing the seal or issuing negotiable instruments shall be handled in accordance with the prescribed procedures. When providing a guarantee for an overseas company, the letter of guarantee issued by the Company shall be signed by a person authorized by the Board of Directors.

Article 10 :

Information Disclosure:

1. The Company shall, before the tenth (10th) day of each month, publicly disclose and report the balance of endorsements and guarantees of the Company and its subsidiaries as of the end of the preceding month.
2. When the total amount of the Company's endorsements and guarantees 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.
The term "date of occurrence" refers to the earlier of the following dates: the contract signing date, payment date, Board of Directors' resolution date, or any other date on which both the counterparty and the amount of the endorsement or guarantee are confirmed.
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 or recognize contingent losses arising from endorsements and guarantees and properly disclose relevant information in its financial statements.
Relevant data shall also be provided to the certified public accountant (CPA) to perform the necessary audit procedures.

Article 11 :

When the Company handles endorsement and guarantee matters, it shall establish a register book to record in detail the following information:

the counterparty, amount, date of approval by the Board of Directors or execution by the Chairperson, date of endorsement or guarantee, and all other matters that shall be prudently evaluated in accordance with Paragraph 1 of the preceding Article. The internal auditors shall periodically audit the procedures and implementation of the Company's endorsement and guarantee operations and prepare written reports. If any material violation is discovered, the internal auditors shall promptly notify the Audit Committee in writing.

Article 12 :

If, due to changes in circumstances, a party for whom an endorsement or guarantee was originally made in compliance with these Procedures no longer meets the requirements, or if the amount of endorsements or guarantees exceeds the limits set forth in these Procedures as a result of changes in the basis for calculation, the responsible department shall immediately propose an improvement plan.

The plan shall be submitted to the Audit Committee for review and reported to the Board of Directors.

Article 13 :

Penalties:

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

Article 14 :

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 a dissenting opinion, and such dissent is recorded or presented in a written statement, the dissenting opinion shall be submitted to the shareholders' meeting for discussion.