

Primax Electronics Ltd.

Procedures for Lending Funds to Other Parties

Article 1: The Procedures for Lending Funds to Other Parties are created according to the governing body's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" to enforce the control of the loaning of funds for others and to minimize business risks; the company shall fully comply with said operational procedures upon the loaning of funds for others.

Article 2: 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 agreement.
- ii. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

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

The term "financing amount" as used in sub-paragraph 2 of the first paragraph refers to the cumulative balance of the company's short-term financing.

The restriction in the sub-paragraph of the first paragraph shall not apply to inter-company loans of funds between foreign companies in which the company directly or indirectly holds 100 percent of the voting shares, or from foreign companies that directly or indirectly hold 100 percent of the voting shares on the company. However, article 4 and 6 of the operational procedures concerning the setting of the amount limits and the durations of loans shall still apply.

If the owner of the company violates the regulation stated in article 1, he or she shall be held liable along with the party making the loan; if the company is subject to any damages, said owner shall also be held liable for the damages.

Article 3: Other companies with which the company does business with and loans funds to are, in principle, those where the business has already taken place, and the amount of the loan shall be equivalent to the company's purchase amount or sales amount, whichever the higher the amount, of the most recent year's or the present fiscal year's until the time of the loan taking place.

Other companies for which the company processes short term financial loans are limited to the following:

- i. Those requesting for funds due to the needs of repaying bank loans, purchasing company facilities, or the turnover of working capital, and are invested upon by the company following the equity method evaluation.
- ii. Those requesting for funds due to the needs of repaying bank loans, purchasing company facilities, or the turnover of working capital, in which the company directly or indirectly holds 50 percent or more of stock shares.
- iii. Those requesting for funds due to the needs of joint ventures in which the company

directly or indirectly holds 50 percent or more of stock shares, with said joint venture related to the company's business operations and is beneficial for the company's future business developments.

Article 4: Ceilings on the Aggregated Amount Made in Loaned Funds and for Individual Loans

The amount of loaned funds the company is permitted to make for others must not exceed 40 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant. The ceilings on the amounts made for each borrower and the uses for the loaned fund are as stated below:

- i. The amount of loans for any single entity due to business needs shall not exceed the company's purchase amount or sales amount, whichever the higher the amount, of the most recent year's or the present fiscal year's until the time of the loan taking place.
- ii. The amount of individual short term financial loans must not exceed 20 percent of the net worth of the public company according to its fiscal financial statement most recently ratified or reviewed by the accountant.

The aggregated amount of loaned funds for others between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed 60 percent of the net worth of the company according to its most recent fiscal financial statement.

Regarding loans from a foreign company that directly or indirectly hold 100 percent of the voting shares on the company, the amount of the loan must not exceed 100 percent of the company's net worth as stated in the most recent fiscal financial statement.

Article 5: Procedures for the Loaning of Funds

i. Detailed Procedures

1. When processing the loaning of funds or short-term financial items, the company shall carefully evaluate if requirements are met under the governing body's "Regulations governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and regulations on the loaning of funds for others set by the company. The accounting department shall review the application and report to the Audit Committee for approval from over half of its members, and then submitted to the board of directors for board resolution. If approval from over half of the Audit Committee members as aforementioned is not acquired, the procedures may only be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the loan and its related matters, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.
2. The loaning of funds between the company and subsidiaries or within the subsidiaries shall be made after board resolution according to the rules stated in the preceding paragraph. The board of directors may authorize the chairman to allocate loans in batches

or conduct revolving credit for a single borrower with a fixed amount and within one year's timeframe. The fixed amount previously stated must comply with Article 2 and with the approval from the Audit Committee and the board of directors. The amount of the loaned fund from the company or subsidiaries to any single entity shall not exceed 10 percent of the company's net worth as stated in the most recent fiscal financial statement.

3. The finance department shall prepare a memorandum book for its fund-lending activities. After being granted approval of the memorandum book by its board of directors, the following information must be truthfully recorded: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated according to the company's operational procedures.
4. The company's internal auditors shall audit all fund loaning operations 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.
5. The finance department shall create, track and control a detailed list for the company's occurred or cancelled loaned funds by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any uncollectable bad debts no less frequently than quarterly, adequately disclose information on loaned funds in the financial reports, and provide certified public accountants with relevant information.
6. If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of regulations or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, submit the rectification plans to the Audit Committee, and complete the rectification according to the timeframe set out in the plan.

ii. Review Procedures

1. When processing the loaning of funds for others from the company, the company or proprietorship that is the borrower of the fund shall submit relevant financial information and statement of the uses of the loaned fund in advance in written form.
2. When the company approves of the application, the claims department shall investigate and evaluate the necessity of and reasonableness of extending loans to others, the direct or indirect business relationship between the company and the borrower, the financial condition of the borrower, repayment capacity, credit status, profitability, the uses of the loaned fund, the impact of the loaned fund and the sum towards the company's operational risks, financial condition, and shareholders' equity, and submit a written report to the Audit Committee and the board of directors for evaluation and resolution.
3. When processing the loaning of funds or short-term financial items, a bill of guarantee of the equivalent amount shall be obtained and chattel mortgage or real estate mortgage shall be set up if necessary. The company shall also evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the loaned fund and balance, possibly requesting for additional security from the entity when it is deemed necessary.

Article 6: Financing Deadline and Interest Calculation

All funds financed from the company for others are limited to one year.

The interests of loans and funds shall not be lower than the company's average interest rates for short-term loans for financial institutions. The rates shall be calculated monthly. Adjustments may be made towards exceptions with approval from the board of directors.

Financing deadlines between foreign companies in which the company directly and indirectly holds 100 percent of the voting shares shall not exceed two years. Financing deadlines from foreign companies in which the company directly or indirectly holds 100 percent of the voting shares on the company shall not exceed two years.

Article 7: Control Procedures for Processed Loans and Procedures for Management of Overdue Claims

Following the disbursement of each loan and fund, the finance department must regularly observe and make written records of the borrower's and its guarantor's financial status, business operation, changes to related credit status, and changes to the value of security.

When the loan is due or prior to the loan's due date, the borrower shall return the principle along with the interest before it returns the bill of guarantee to the loaner or applies for lien cancellations.

The borrower must raise a request in advance and report to the board of directors for approval if it fails to return the loan by the end of the timeframe set out and requires an extension; the company may impose penalties or make claims according to the law with the violator's provided security or towards the violator's guarantor.

Article 8: Announce and Report Procedures

These regulations shall be enforced from the date of promulgation.

- i. The finance department shall announce and report the previous month's loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated timeframe.
- ii. The finance department of 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 and it shall also announce and report loans and balances every month:
 1. The aggregate balance of loans for others by the company and subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement.
 2. The aggregated balance of loans by the company and subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest fiscal financial statement.
 3. The amount of new loans made 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 fiscal financial statement.
- iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if there are items to announce and report as stated in the third sub-paragraph of the previous paragraph. If its balance of loans reaches the standards of

announce and report as stated in Article 8-2, the company shall, prior to the occurrence of the fact, announce and report pursuant to regulations at the designated website.

The term “occurrence of the fact” as used in the operational procedures refers to the contract day upon signing of contract, or the payment date, or the date designated by the board of directors, or the date of confirmed loan, counterparty and amount, whichever the earlier date prevails.

Article 9: Control Procedures for the Loaning of Funds of the Subsidiary

- i. If the subsidiary of the company is to loan funds to others, operational procedures must be in place and in accordance with “Procedures for Lending Funds to Other Parties”. This also applies to amendments of said operational procedures.
- ii. If the subsidiary of the company is to loan funds to others, it should do so in accordance with the policies and procedures of “Internal Control Policies” and “Procedures for Lending Funds to Other Parties”, and submit written reports of the previous month’s loan balance, borrower, dates, etc. on the fifth day of each month. The company’s auditors shall list the subsidiary’s fund loaning matters as quarterly auditing items and the status of the audit shall be reported to the board of directors and the Audit Committee.

Article 10: Penal provisions

Upon the violation of the Securities and Futures Bureau’s “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” by the relevant representing agent of the company’s loaned fund, penalties shall be imposed according to the condition of violation as regulated by the following, with the violation included in the year’s individual performance evaluation:

- i. Violation of appraisal authorization: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company’s internal control training session. Repeated violators or gross violators shall be relocated.
- ii. Violation of review procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company’s internal control training session. Repeated violators or gross violators shall be relocated.
- iii. Violation of announce and report procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings. Repeated violators or gross violators shall be relocated.
- iv. Penalties shall be imposed to and accepted by the supervisor of the violator provided that said supervisor fails to provide a reasonable explanation detailing that precautions were made.
- v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders’ meeting, the Audit Committee shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors

or the director, as the case may be, to cease such act.

Article 11: The Procedures for Lending Funds to Other Parties shall be approved by the board of directors and reported to the shareholders' meeting for approval prior to implementation. The amendment of the procedures shall be approved of by over half of the members of the Audit Committee, submitted to the board of directors for resolution, and then reported to the board of shareholders for final ratification prior to implementation. If approval from over half of the members of the Audit Committee is not obtained, it shall be approved of by over two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors' meeting.

The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the amendment of said operational procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.

Article 12: This corporate document was created on 2008/11/7.

First-time amendments were made on 2009/6/4.

Second-time amendments were made on 2010/6/25.

Third-time amendments were made on 2013/6/25.

Fourth-time amendments were made on 2015/6/29.

Fifth-time amendments were made on 2019/6/18.