

Skytech Inc.

Regulations Governing Loaning of Funds

The establishment was approved by the shareholders' meeting on July 22, 2022
The latest amendment was approved by the shareholders' meeting on March 3, 2023

Article 1 Basis

The Procedures are established pursuant to Article 36-1 of the Securities and Exchange Act, and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

When making loans of funds of others, the Procedures shall be complied with. For anything not mentioned in the Procedures, the relate laws and regulations shall be complied with

Article 2 Definitions

- (1) "Subsidiary" and "parent company" as referred to in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (2) "Net worth" 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.
- (3) The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
- (4) "Date of occurrence" means the date of contract signing, date of payment, dates of board's resolutions, or other date that can confirm the receivers and monetary amount of loans, whichever date is earlier.

Article 3 Receivers of loans

- (1) The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
 - a. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
 - b. 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 means one year. The term "financing amount" as used in sub-paragraph 2 of the preceding paragraph means the cumulative balance of the Company's short-term financing.
- (2) The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100 percent of the voting shares.

Article 4 Total limits of loans and the limits of individual receivers

- (1) Total limit of loaning of funds: the total amount of loaning of funds to others by the Company shall not exceed 50 percent of the Company's net worth; in which:

- a. For inter-company or inter-firm business transactions calling for a loan arrangement, the limit is 10 percent of the Company's net worth.
 - b. For inter-companies or inter-firms requiring short-term financing facility, the limit is 40 percent of the Company's net worth.
- (2) Limits of individual receivers:
- a. For an inter-company or inter-firm business transaction calls for a loan arrangement, the limit shall not exceed the amount of all transactions between the two parties. The term "amount of transaction" means the estimable amount of purchase or sales, within the most recent year, whichever higher, and not exceeding 10 percent of the Company's net worth.
 - b. For inter-companies or inter-firms requiring short-term financing facility, the limit of individual receiver shall not exceed 40 percent of the Company's net worth. The aforesaid individual limit of loaning of funds refers to the accumulated balance of the short-term financing facility provided by the Company to the same entity.
- (3) The loans of funds between foreign subsidiaries in which the Company holds 100 percent of voting rights, directly or indirectly, or loans provided by the foreign subsidiaries in which the Company holds 100 percent of voting rights, directly or indirectly, to the Company, are not subject to the limits specified in the two preceding paragraphs; however, the total amount of such loans shall not exceed 100 percent of the loan provider's net worth; for individual loans, no more than 50 percent of the loan provider's net worth, with the period of loan shall be specified.
- (4) The aforesaid net worth shall be the figures specified in the latest financial report audited or reviewed by CPAs.

Article 5 Period and interest calculation of loans:

- (1) For the short-term facilities required, the period shall not exceed one year.
- (2) The interest is accrued monthly, and the interest rate shall not be lower than the Company's cost of funds. For the accrued interests of loans, unless the Board resolves otherwise, the interests shall be paid monthly.
- (3) The interest calculation for inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100 percent of the voting shares, shall apply the local laws but not subject to the restrictions in the preceding paragraph.

Article 6 Procedures to make loaning of funds

- (1) Application procedures
 - a. Where a borrower apply for a loan to the Company, the usage and necessity of the fund shall be specified, with the photocopies of profit-seeking enterprise registration, documents related to the entity, and ID card of the person in charge, as well as required financial information, shall be attached, to apply for the facility to the Company's finance department; the finance department will decide if the application is accepted.

- b. The finance department shall evaluate and review the applicant of loan, and the matters to be evaluated shall include at least:
 - (a) The necessity of and reasonableness of extending loans to others.
 - (b) Measuring whether the amount of loan is required based on the financial status of the receiver of the loan.
 - (c) Whether the accumulated amount of loans exceeds the limit.
 - (d) The impact on the Company's business operations, financial condition, and shareholders' equity.
 - (e) Whether collateral must be obtained and appraisal of the value thereof.
 - (f) Credit status and risk assessment of the receiver of the loan shall be attached.
 - c. Where funds are loaned for reasons of business dealings, evaluation standards shall be specified for determining whether the amount of a loan is commensurate to the total amount of trading between the two companies.
 - d. For the short-term facilities required, the reason and status of loans shall be provided, and the related information and terms of loans proposed shall be presented to the chairperson for approval, and then submitted to the Board for resolution.
 - e. Between the Company and its subsidiaries, or between subsidiaries, loaning of funds shall be resolved by its boards, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company
 - f. Before extending loans of funds to others, the Company shall prudentially evaluation if the requirements of the Procedures are met. The results of evaluation and the terms of loans proposed shall be presented to the chairperson for approval, and then submitted to the Board for resolution after being approved by the Audit Committee; no other person shall be authorized to determine. In the aforesaid discussion of the Board, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
- (2) Approval and notification of loans
- a. Where the Board resolves not to extend the loan up the credit status and risk assessment, the finance department will reply to the borrower.
 - b. Where the Board resolves to agree with the terms of loans, the finance department shall notify the borrower as soon as possible, and specify the Company's terms of loans, including limit, period, interest rate, security, and guarantor(s), to request the borrowers complete the contract execution within the period.
- (3) Contract execution and identity verification

- a. For loaning of funds, the terms and conditions of contract shall be prepared, and consistent to the approved terms of loan; after being reviewed by the finance department, the draft contract shall be sent to the legal counsel for review, before executing the contract.
 - b. Where any security is required for a loan, the borrower shall provide the security, with the procedures of pledge or mortgage completed. The Company shall also assess the value of security to ensure the creditor's rights of the Company.
 - c. Other than the lands and negotiable securities, other securities shall be insured with fire insurance and other related insurance. The amount of insurance coverage shall not be lower than the pledge security as a principle, and the Company shall be specified as the beneficiary in the policy. The names, quantity, locations of storage, and terms of insurance of the underlying targets specified in the policy shall be consistent to the Company's approved terms of loan. Attentions shall be paid to notify the borrower to renew the insurance before the insurance expires.
- (4) Disbursement: upon the execution of contract and the setup of pledge or mortgage for the securities, and all procedures are verified correct, the payment will be disbursed.
- (5) Case registration and custody
- a. The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the Board, lending/borrowing date, securities, terms of interests, method and date(s) of repayment, and the matters required prudential assessment based on the Procedures.
 - b. After the loan is disbursed, the certificates of creditor's rights, such as contract or banker's check, and documents of securities, insurance policies, and other documents exchanged, shall be organized in order, to be sent to the finance officer for examination. Upon the completion of the examination without error, the documents are sealed, registered, and retained.

Article 7 The follow-up control measures for the loans and procedures handling overdue loans

- (1) Once the loan is disbursed, the finance department shall pay frequent attentions to the financial, operating, and credit status of the borrower and the guarantor thereof. In case of securities provided, attentions shall be paid to the change in the values of securities. For any material change, the chairperson or the president shall be informed immediately, and handle such properly based on the instruction.
- (2) The borrower shall be notified for repaying the principal and interests one month prior to the expiry. When repaying the loan at its expiry, the interest payable shall be calculated first, and repaid along with the principal, before the repayment certificates such as banker's check and due bill are cancelled and returned to the borrower.
- (3) For any overdue loan that cannot be recovered after collection, the recourse will be claimed to the debtor immediately, to ensure the Company's rights and interests.

Article 8 Procedures of announcement and report

- (1) The Company shall enter the previous month's loan balances of its head office and subsidiaries by the 10th day of each month on the information reporting website assigned by Financial Supervisory Commission.
- (2) The Company and its subsidiaries 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:
 - a. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
 - b. 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.
 - c. 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.

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 specified in the preceding paragraph.

Article 9 Procedures to control the subsidiaries' loans of funds to others

- (1) Where the Company's subsidiaries intend to loan of funds to others, the Company shall order the subsidiaries to establish the regulations governing loaning of funds pursuant to the Procedures. Provided that the net worth is calculated based on the net worth of the subsidiary.
- (2) Before the 10th day (exclusive) of each month, the subsidiaries shall prepare the memorandum book of loans for the previous months, and submit such to the Company's finance department.
- (3) The subsidiaries' internal auditors shall audit their regulations governing loaning of funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Company's auditing unit in writing of any material violation found, and the auditing unit shall send the written information to the Audit Committee.
- (4) The auditing staff of the Company shall supervise and manage the audit management of subsidiaries based on the annual audit plan.

Article 10 Matters requiring attentions

- (1) If, as a result of a change in circumstances, the borrower 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 the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.
- (2) The Company's internal auditors shall audit the implementation of the Procedures no less frequently than quarterly and prepare written records accordingly. The Audit Committee shall be notified in writing of any material violation found immediately.

- (3) For loaning of funds, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
- (4) 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 CPAs with relevant information for implementation of necessary auditing procedures.

Article 11 Penalties

Where any related staff violates the Procedures, he/she shall be reported for handling pursuant to the employee's manual.

Article 12 Implementation and amendment

The Procedures are implemented upon the approval of the shareholders' meeting, after these are approved and submitted by the Board. The same applies to amendments.

After the Company established the Audit Committee, amendments to the Procedures shall be approved by the Audit Committee and submitted to the Board for resolution, and then submitted to the shareholders' meeting for approval before implementation; for any dissent expressed by any director with records or written statement, the Company shall submit the dissent and the information thereof to the shareholders' meeting for discussion; the same applies to amendments. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board meeting.

The Procedures were established on July 22, 2022.

The Procedures were amended on March 3, 2023.