

# TAISUN INT'L (HOLDING) CORP.

## Procedure for Endorsement/Guarantee

Date of enactment: Wednesday, December 31, 2014

Date of amendment: June 28, 2019

### Article 1: Purpose

This Procedure is enacted in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the Financial Supervisory Commission ("FSC") to strengthen TAISUN's internal management, make information publicly available and reduce operational risks. TAISUN always follows this Procedure to provide endorsements and guarantees for others, unless otherwise provided by other applicable laws and regulations.

### Article 2: Applicable Subjects

(I) The term "Endorsement and/or Guarantee" used herein is defined as follows:

1. Financing endorsement and/or guarantee, including:

- (1) Endorsement/guarantee to customers' notes for cash financing with a discount;
- (2) Endorsement/guarantee for another company for its financing needs; and
- (3) Endorsement/guarantee to the notes issued by TAISUN to non-financial institutions and entities for TAISUN's own financing needs.

2. Other endorsements/guarantees which are not included under the preceding clause

(II) The lien or mortgage provided by TAISUN against its assets and properties for guaranteeing another company's loan should also follow the policies and procedures set forth herein.

### Article 3: Subject of Endorsements/Guarantees

(I) TAISUN may make endorsements/guarantees for the following companies:

- (1) A company with which it does business;
- (2) A company in which TAISUN directly and indirectly holds more than 50% of the voting shares; and
- (3) A company that directly and indirectly holds more than 50% of the voting shares in TAISUN.

(II) Companies in which TAISUN holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of TAISUN, provided that this restriction shall not apply to endorsements/guarantees made

between companies in which TAISUN holds, directly or indirectly, 100% of the voting shares.

- (III) Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.
- (IV) "Capital contribution" referred to in the preceding paragraph shall mean capital contribution directly by TAISUN, or through a company in which TAISUN holds 100% of the voting shares.

#### Article 4: Limits of Endorsements/Guarantees

- (I) The total amount of endorsements/guarantees provided by TAISUN shall not exceed forty percent (40%) of its net worth indicated in the latest financial statements.
- (II) The limit of endorsements/guarantees made by TAISUN for any one company shall not exceed twenty percent (20%) of its net worth indicated in the latest financial statements.
- (III) The total amount of endorsements/guarantees provided by TAISUN and its subsidiaries shall not exceed fifty percent (50%) of its net worth indicated in the latest financial statements; and that provided by TAISUN and its subsidiaries for any one company shall not exceed thirty percent (30%) of its net worth indicated in the latest financial statements.
- (IV) Where endorsements/guarantees are provided for an entity due to its business relationship with TAISUN, the amount of such endorsements/guarantees cannot exceed the business transaction amount between both parties.
- (V) "Business Transaction Amount" refers the amount of purchases or sales between both parties, whichever is greater.

#### Article 5: Hierarchy of Decision-making Authority and Delegation thereof

- (I) TAISUN shall not make any endorsement and/or guarantee until it is approved by the board of directors. However, if the amount of any endorsement/guarantee provided for any one company is within ten percent (10%) of TAISUN's net worth, a pre-determined limit may be delegated to the Chairman by the board of directors to facilitate execution and such endorsement/guarantee shall be reported to the most coming board of directors' meeting for ratification.
- (II) Before a subsidiary in which TAISUN holds, directly or indirectly, ninety percent (90%) or more of the voting rights, makes any endorsement/guarantee as specified in Article 3.2 hereof, it shall be provided upon approval by TAISUN's board of directors; provided that this restriction shall not apply to endorsements/guarantees

made between companies in which TAISUN holds, directly or indirectly, 100% of the voting shares.

- (III) Where TAISUN has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; 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.
- (IV) Where the total amount of endorsements/guarantees provided by TAISUN and its subsidiaries is more than fifty percent (50%) of TAISUN's net worth, the necessity and reasonableness thereof should be clarified at the shareholder meeting.

#### Article 6: Procedures for Making Endorsements/Guarantees and Review Procedures

- (I) When TAISUN makes any endorsement/guarantee, the responsible division shall submit a petition describing the name of the company needing such endorsement/guarantee, the endorsement/guarantee amount, risk evaluation result, covenants and warranty, the description of collateral, and the conditions and date of relief of responsibilities under such endorsement/guarantee. Besides, an application should also be filed with TAISUN's Financial Division.
- (II) The company that such endorsement/guarantee is provided for shall submit necessary basic information and financial data to facilitate the credit checking performed by the officers of TAISUN's Financial Division. Upon careful examination and evaluation, such information and examination results will be collected and sorted and then such endorsement/guarantee will be approved as set out in Article 5.

Any endorsement/guarantee provided for a subsidiary in which TAISUN holds 100% voting rights directly or indirectly is not subject to the aforesaid rules for credit checking.

- (III) The aforesaid examination and evaluation should include:
  - 1. Necessity and reasonableness of the endorsement/guarantee;
  - 2. Credit checking and risk assessment of the endorsement/guarantee subject;
  - 3. The influence on TAISUN's operational risk, financial condition, and shareholder's equity;
  - 4. Whether the collateral is required, as well as the value of the collateral; and
  - 5. If any endorsement/guarantee is to be provided due to the business transactions between both parties, it is imperative to determine whether the endorsement/guarantee amount corresponds to the amount of such business transactions.

(IV) TAISUN shall prepare and maintain the book of endorsements and guarantees which shall set forth the endorsement or guarantee subject, amount, date of the board resolution or the Chairman's approval, date of making the endorsement or guarantee, and prudent evaluations required under foregoing paragraph, as well as the conditions and date of relief of responsibilities under the endorsement/guarantee.

#### Article 7: Process of Using and Keeping Stamps

- (I) The special stamp for endorsements/guarantees should be TAISUN's official stamp duly registered by the competent government authority.
- (II) Such special stamp should be kept by the dedicated personnel designated by the Chairman as authorized by the board of directors, and this shall also apply to the change thereof; the dedicated personnel shall seal or issue bills pursuant to this Procedure.
- (III) When making any guarantee for a foreign company, the person authorized by the board of directors shall sign the letter of guarantee.

#### Article 8: Disclosure of Information

Once TAISUN has made a public offering of shares, the disclosure of information shall be fulfilled as stated below:

- (I) TAISUN shall announce and report the balance of endorsements/guarantees of its head office and subsidiaries by the 10th day of each month.
- (II) When TAISUN's endorsement or guarantee meet any one of the following conditions, public disclosure shall be performed within two days as of the date of occurrence of the fact:
  1. The balance of endorsements/guarantees made by TAISUN and its subsidiaries exceeds 50% of TAISUN's net worth in its most recent financial statements.
  2. The balance of endorsements/guarantees made by TAISUN and its subsidiaries to a single enterprise exceeds 20% of TAISUN's net worth in its most recent financial statements.
  3. The balance of endorsements/guarantees made by TAISUN and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, the carrying amount of investments accounted for using equity method in, and balance of loans to, such enterprise reaches 30% or more of TAISUN's net worth as stated in its latest financial statement.
  4. The amount of new endorsements/guarantees made by TAISUN and its subsidiaries reaches NT\$30 million or more, or exceeds 5% of TAISUN's net worth in its most

recent financial statements.

- (III) If TAISUN's subsidiary is not a domestic public company and such subsidiary has matters to be announced and reported as set out in the preceding paragraphs, such announcement and reporting shall be done by TAISUN.
- (IV) TAISUN shall assess or recognize any contingent losses brought about by its endorsements/guarantees, appropriately disclose the information on such endorsements/guarantees in its financial statements, and provide relevant information and data for the CPA to conduct the verification procedures as required.

Article 9: Precautionary Items for Endorsements/Guarantees

- (I) The internal auditors shall at least audit the "Procedure for Endorsement/Guarantee" and the implementation thereof at least on a quarterly basis, and maintain the written records. Any material violation shall be notified to the Audit Committee in writing.
- (II) Where TAISUN's endorsement or guarantee is above the ceiling amount defined the "Procedure for Endorsement/Guarantee" for any business need and this meets the conditions specified this Procedure, this shall be approved by the board of directors and shall have the joint guarantee made by more than half of all the directors regarding any potential losses arising therewith; additionally, this Procedure shall be amended and the amended procedure shall be presented at the general meeting of shareholders for acknowledgment; if this is disapproved at the general meeting of shareholders, an appropriate schedule shall be planned to eliminate the excessive part within the required period.
- (III) Should a subject of endorsement/guarantee no longer satisfy the Procedure or there be any excess over the lending limit due to unexpected changes of TAISUN, a corrective plan has to be provided for the Audit Committee and proposed corrective actions should be implemented within the period specified in such plan.
- (IV) If the subject of endorsements/guarantees of TAISUN or any of its subsidiaries is a subsidiary whose net worth is lower than 50% of its paid-up capital, evaluation and review shall be performed as set out in Article 6 hereof, and TAISUN's internal auditors shall at least audit the procedure and the practices of making endorsements and guarantees at least on a quarterly basis, and maintain the written records. Any material violation shall be notified to the Audit Committee in writing. In case of a subsidiary of TAISUN whose shares have no par value or a par value other than NT\$10, the paid-up capital referred to in the preceding paragraph shall refer to the sum of the share capital plus the capital reserve minus the original issue premium.

Article 10: Procedures for Managing Endorsements/Guarantees Provided for Others by

## Subsidiaries

- (I) Where a subsidiary of TAISUN proposes to provide any endorsement/guarantee for a third party, TAISUN shall require the subsidiary to establish the procedure for endorsement/guarantee in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and shall conform to such procedure.
- (II) Each of TAISUN's subsidiary shall prepare and submit to TAISUN the statement of endorsements/guarantees provided for other - 8 - parties in the previous month no later than the 10th day (excluded) of each month.
- (III) Internal auditors of the subsidiary shall perform auditing on the "Procedure for Endorsement/Guarantee" and the implementation thereof at least once per quarter and prepare the written record. If any material violation is identified, the subsidiary's supervisors and TAISUN's audit unit shall be promptly informed in writing.
- (IV) When TAISUN's auditors are auditing the subsidiaries, the auditors must understand the subsidiaries' implementation of the procedure for endorsement/guarantee. If any defect is found, the auditors shall continue to track the improvement and submit reports to the President.

## Article 11: Penalty

Where any officer or manager in charge of endorsements and guarantees violates the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the Financial Supervisory Commission ("FSC") or this Procedure, the punishment will be imposed on such officer or manager based on the severity of the violation, including verbal and written warning and mandatory training program on the internal control system; the line manager or the supervisor shall impose appropriate penalties pursuant to TAISUN's rules and regulations. Such violation record will be taken into consideration during the annual individual performance assessment. In case of repeated or severe violations, the person involved will be transferred to another post.

## Article 12: Other Information

- (I) The subsidiary or parent referred to in this Procedure is recognized pursuant to the provisions provided by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
- (II) The "Net Worth" referred to in the Procedure shall mean the - 9 - equity of balance sheet attributable to the parent operations according to the Regulations Governing

the Preparation of Financial Reports by Securities Issuers.

- (III) "Reporting and Announcement" in this Procedure refers to entry into the information reporting website of the Financial Supervisory Commission.
- (IV) The term "Date of Occurrence of the Fact" as used in the Procedure refers to the date of contract signing, date of payment, dates of resolutions of the board of directors, or other date that can confirm the entities for which the endorsement/guarantee is made and the monetary amount, whichever date is earlier.

#### Article 13: Implementation and Amendment

- (I) Where TAISUN plans to provide endorsements or guarantees for others, the Procedure shall be prepared as stipulated; such matter shall be approved by more than half of all Audit Committee members, reported to the board of directors for resolution, and submitted at the shareholders meeting for approval after it is accepted by the board of directors. If any director has an objection which is recorded or stated in writing, such objection shall be submitted to the Audit Committee and reported at the general meeting of shareholders for discussion. This rule is also applicable to the amendment thereof.
- (II) If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, such matters could be 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
- (III) The term "all Audit Committee members and all directors" mentioned above and in the preceding two paragraphs shall refer to those who are currently in active duty.