



POU CHEN CORPORATION

Operational Procedures for Making Endorsements and Guarantees

Article 1 **The Procedures for Making Endorsements and Guarantees (the “Procedures”) are hereby enacted for the Pou Chen Corporation (the “Company”) to abide by when making endorsements or guarantees. Matters not specified in the Procedures shall be other governed by relevant laws and regulations.**

Article 2 **The following matters shall fall within the scope of the Procedures:**

- I. Financing endorsements and guarantees, including:
 - i. Discounted bill financing.
 - ii. Endorsements and guarantees made for the purposes of another company's financing needs.
 - iii. Issuance of another negotiable instrument to a non-financial enterprise as security for the purposes of the Company's financing needs.
- II. Customs duty endorsements and guarantees, which shall mean the endorsements and guarantees, made for the Company itself or other companies in connection with customs duty matters.
- III. Other endorsements and guarantees, which shall mean the endorsements and guarantees made in connection with matters beyond the scope of the preceding two paragraphs.
- IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

Article 3 **The Company may make endorsements and guarantees for the following parties:**

- I. The company that the Company is doing business with.
- II. The company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- III. The company that holds, directly or indirectly, more than fifty percent (50%) of the Company's voting shares.
- IV. The companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements or guarantees for each other, and the amount of such



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endorsements or guarantees may not exceed ten percent (10%) of the net worth of the Company, provided that this restriction shall not apply to endorsements or guarantees made between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.

- V. Where the Company provides mutual guarantees in accordance with the contract for another company in the same industry or for joint constructors to meet the demand under a construction project, or where all shareholders making Capital Contribution to a jointly invested company make endorsements and guarantees for such company in proportion to their shareholding ratio, such endorsements and guarantees may be made free of the restrictions under the preceding Subparagraph I to Subparagraph IV.

The “Capital Contribution” under Subparagraph V refers to direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the shares.

Article 4

Maximum amount of endorsements and guarantees

- I. The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for other companies shall not exceed two hundred percent (200%) of the Company's net worth.
- II. The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for a single enterprise shall not exceed one hundred percent (100%) of the Company's net worth.
- III. In the event that the endorsements and guarantees are made for business reasons, the amount of such endorsements and guarantees shall not exceed the total transaction amount between that company and the Company in the prior year (the higher of purchasing amount or selling amount).
- IV. The “net worth” referred to in the Procedures shall mean the equity attributable to the owners of the Company in the balance sheet under the Regulations Preparation of Financial Reports by Securities Issuers.
- V. The term “subsidiary” referred to in the Procedures shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers



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Article 5 Decision making and authorization level

The Company may not make endorsements and guarantees without prior approval of the board of Directors and shall take into full account each independent Director's opinions when making such decision, and the independent Directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting; provided that, for the purpose of efficiency, the board of Directors may authorize the chairman to make endorsement and guarantee decisions within NT\$500 million, and report such endorsement and guarantee to the board of Directors for ratification afterwards.

Article 6 Procedures for making endorsements and guarantees

- I. Where a company intends to use an endorsement and guarantee within its amount, this company shall provide its basic information and financial information and fill out the application form to file an application with the Company's financial department. The Company's financial department shall carefully assess the application and conduct credit investigation. The items to be assessed shall include necessity and reasonableness, whether the amount of endorsement and guarantee is equal to or less than the transaction amount (where the endorsement and guarantee is made on business), the influence on the Company's operational risks, financial conditions and shareholders' rights and interests, whether collateral is required and the appraisal of the collateral.
- II. The personnel at the Company's financial department shall compile relevant information provided in the preceding paragraph and the results of assessment, and process the application in accordance with the preceding article.
- III. The endorsement and guarantee records kept by the Company's financial department shall list, in detail, the party that has received the endorsement and guarantee and the amount, the date the endorsement and guarantee is approved by the board of Directors or the Chairman, the date of the endorsement and guarantee, items to be carefully assessed under the Procedures, the content of the collateral, the collateral's appraised value, and the conditions and the date when the



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Company is released from the obligations of endorsement and guarantee.

- IV. The Company's financial department shall evaluate or record the contingent loss arising from the endorsement and guarantee, and properly disclose the information of such endorsement and guarantee in the financial report. The Company's financial department shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures.
- V. The Company's subsidiaries in which the Company holds, directly and indirectly, ninety percent (90%) or more of the voting shares, shall not make any endorsement and guarantee with each other in accordance with Article 3 Subparagraph VI before such endorsement and guarantee is approved by the Company's board of Directors, provided that this restriction shall not apply to endorsements and guarantees made between the Company's subsidiaries in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.
- VI. Where the endorsement and guarantee is made for the Company's subsidiary with its net worth less than fifty percent (50%) of its paid-in capital, the Company's financial department shall assess quarterly such subsidiary's operational risks, financial conditions and the appropriateness of continuing the endorsement and guarantee, and submit relevant information to the board of Directors. Where such subsidiary's share has no par value or has any par value other than NT\$ 10, the paid-in capital shall be calculated as the value of its capital stock plus the capital reserve and minus the issuance premium.
- VII. The Company's decision to provide endorsements and guarantees of a material nature shall be approved by no less than half of the members of the Audit Committee and submitted for approval by a resolution of the board of Directors; provided however, the Company may act without the approval of the Audit Committee if a resolution of at least two thirds of the board of Directors is obtained. The decision of the Audit Committee shall be recorded in the minutes of the board of Directors' meeting.



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Article 7 Safekeeping of and procedures for the Company's chop

- I. The corporate endorsement and guarantee chop is the corporate chop with which the Company files registration with the Ministry of Economic Affairs. The corporate endorsement and guarantee chop and the negotiable instrument shall be safe-kept by personnel approved by the board of Directors, and the designation, removal and change of such personnel shall also be approved by the board of Directors. The corporate endorsement and guarantee chop or signature to make endorsement and guarantee shall be affixed pursuant to the operating procedures provided by the Company.
- II. When the Company makes guarantee for a foreign company, the guarantee letter issued by the Company shall be executed by the person authorized by the board of Directors.

Article 8 Announcement and reporting procedures

- I. The Company shall announce on the Market Observation Post System by the 10th day of each month the previous month's balance of endorsements and guarantees made by the Company and the companies in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two days from the Date of Occurrence:
 - i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.
 - ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.
 - iii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, investment of a long-term nature in, and balance of



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- loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement
- iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest financial statement.
- III. The Company shall announce and report on behalf of any of its subsidiaries that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Subparagraph iv. of the preceding paragraph.
- IV. The Company shall evaluate or record the contingent loss arising from the endorsement and guarantee, and properly disclose the information of such endorsement and guarantee in the financial report. The Company shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures.
- V. The "Date of Occurrence" in the Procedures refers to the earlier of: execution date of the transaction, date of payment, date of the boards of Directors' resolution, or other date when the counterparty and the amount of the transaction can be confirmed.

Article 9

Guidelines for conducting endorsements and guarantees

- I. The Company's internal auditors shall audit, at least quarterly, the Procedures and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered there from, the internal auditors shall promptly notify the Audit Committee in writing.
- II. In the event of any change of condition resulting in violation of Article 3 of the Procedures, which was in compliance with the Procedures at the time of endorsement and guarantee, or violation under Article 4 of the Procedures (exceeding the amount) due to change of calculation basis based on which the maximum amount of endorsement and guarantee is calculated, the auditing unit shall urge the financial department to eliminate the entire endorsement and guarantee amount or the amount exceeding the maximum amount for such party when the contract expires or within a specified period of



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time. The auditing unit shall also submit relevant rectification plans to the Audit Committee and report such plans at the board of Directors' meeting, and the rectification plans shall be implemented in accordance with the planned timeline.

- III. Where the Company needs to make endorsement and guarantee that exceeds the maximum amount specified in the Procedures to satisfy its business demands, and where such endorsement and guarantee is in compliance with the conditions set out in the Procedures, the Company shall obtain approval from the board of Directors, and at least half of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the endorsement and guarantee exceeding the maximum amount. The Company shall also amend the Procedures accordingly and submit the same to the shareholders' meeting for ratification. If such proposal is not adopted at the shareholders' meeting, the Company shall enact a plan to eliminate the excess amount within a specified period of time. When the Company makes the aforementioned endorsements and guarantees, it shall take into full consideration the opinions of each independent Director, and the independent Directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting.

Article 10 Procedures for controlling and managing endorsements and guarantees by companies in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares

- I. Where a company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares intends to make endorsement and guarantee for others, such company shall also enact the procedures for making endorsements and guarantees and comply with these procedures, provided that the "net worth" therein shall mean such company's net worth.
- II. The company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares shall prepare by the 10th day (non-inclusive) of every month a detailed list of endorsements and guarantees made for others in the prior month, and deliver such list to



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the Company.

- III. The internal auditors of the company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares shall audit, at least quarterly, its procedures for making endorsements and guarantees and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered there from, the internal auditors shall promptly notify the Company's auditing unit in writing, and the Company's auditing unit shall deliver the written information to the Audit Committee.
- IV. When the Company's auditors conduct auditing in accordance with the annual auditing plan in the company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares, the auditors shall also look into the implementation status of such company's procedures for making endorsements and guarantees for others. In the event of any violations discovered there from, the auditors shall keep track of the rectification process, and prepare a tracking report to submit to the board of Directors.

Article 11 Penalty

Where the Company's officers or personnel in charge violate the Procedures, the Company may assess such officer or personnel's performance in accordance with the Company's human resource regulations and the regulations governing the employees' rewards and penalties, and give proper penalties according to the seriousness of the violation.

Article 12 Enactment and amendment

After adoption of the Procedures by the Audit Committee and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect. The board of Directors shall fully consider the opinions of each independent Director in their discussion, and the independent Directors' opinions expressly stating assent or dissent as well as the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting. Where any Director expresses dissent and such dissent is recorded in the minutes or stated in a written statement, the Company



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shall submit the dissenting opinions to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.