

Ton Yi Industrial Corp.
Procedures for Endorsements and Guarantee

Amended on Jun 20, 2019

Article 1: This Corporation's affairs related to endorsement and guarantee are conducted pursuant to provisions in these Procedures.

Article 2: The term "endorsements and guarantees" as used in these Procedures refers to the following:

1. Financing endorsements and guarantees, including:

- (1). Bill discount financing.
- (2). Endorsement or guarantee made to meet the financing needs of another company.
- (3). Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

2. Customs duty endorsements and guarantees, meaning an endorsement or guarantee for the Corporation itself or another company with respect to customs duty matters.

3. Other endorsements and guarantees, meaning endorsements or guarantees beyond the scope of the above 1, 2 subparagraphs.

Any creation by this Corporation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.

Article 3: Counterparty for Endorsements and Guarantees

The counterparty for endorsement and guarantee of this Corporation is limited as follows:

1. A company with which it does business.
2. A company in which this Corporation directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

Companies in which this Corporation holds, directly or indirectly, 90% or more of the voting shares may make endorsements and guarantees for each other, and the amount of endorsements and guarantees may not exceed 10% of the net worth of the public company, provided that this restriction shall not

apply to endorsements and guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

Article 4: Specification on the amount of an endorsements and guarantees due to needs from business dealing

When the Company is engaged in an endorsement and guarantee for business purposes, the amount of the endorsement and guarantee shall equate with the sum of the purchased or sold items by the endorsee and guarantee company in the most recent year or at the end of current year.

Article 5: Amount Limit of Endorsements and Guarantees

- 1.The aggregate balance of endorsement and guarantee to others by the Corporation shall not exceed 70 percent of the Corporation's net value, and the limit of an endorsement and guarantee made to a single business shall not exceed 70 percent of the Corporation's net value.
- 2.The aggregate balance of endorsement and guarantee to others by this Corporation and its subsidiaries as a whole shall not exceed 70 percent of this Corporation's net value, and the limit of an endorsement/guarantee made to a single business shall not exceed 70 percent of this Corporation's net value.
- 3.Where the aggregate balance of endorsement and guarantee to others by this Corporation and its subsidiaries as a whole reaches 50 percent or more of this Corporation's net value, the necessity of and reasonableness of endorsements and guarantees shall be explained in the Shareholders' meeting.

Article 6: Operation Procedures for Endorsements and Guarantees

- 1.When handling endorsements and guarantees, the financial department shall examine the needs of the endorsee and guarantee company, assess its risks, set the quota of endorsement and guarantee, and inspect whether it conforms to the provisions of the Management. The assessment shall follow the detailed auditing procedure of Article 7 and submitted to the Board for resolution after the approval of the Audit Committee. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and shall be reported to the most coming Audit Committee and Board of Directors Meeting for ratification.
- 2.Financial unit of this Corporation shall prepare a memorandum book for its endorsement and guarantee activities. After the endorsement and guarantee is approved following the preceding paragraph, besides

applying for seals in accordance with the procedures set forth, the entity for which the endorsement and guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters following Article 7 hereof shall be carefully evaluated.

3. Internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify audit committee in writing of any material violation found.
4. A detailed list for handling of the addition and cancellation of endorsement and guarantee should be prepared by the financial department for controlling and tracking. If the endorsement and guarantee is required to be publicly announced, as specified by the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies” promulgated by the FSC, it should be submitted to the accounting department for announcement within the stated period. The contingent losses caused by the endorsement/guarantee should also be evaluated and recognized quarterly and, with the relevant information of certified public accountant, be disclosed in the financial report.
5. If, as a result of a change in circumstances, an entity for which an endorsement and guarantee is made does not meet the requirements of these Procedures, or the loan balance exceeds the limit due to the change of limit calculation basis, financial unit shall set forth rectification, relevant rectification shall be submitted to audit committee, and shall complete the rectification according to the timeframe set out in the plan.
6. Financial unit shall actively notice the guaranteed enterprise to retrieve the guarantee notes deposited in bank or creditor institutions and cancel the deeds relevant to endorsement and guarantee before the expiration of Endorsement/Guarantee
7. For circumstances in which an entity for which this Corporation makes any endorsement and guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, besides handling in accordance with the preceding paragraphs one to six and Article 7 hereof, the internal audit personnel of this Company shall perform audit on endorsement and guarantee procedures and its 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.

Article 7: Detailed review Procedures

Where the endorsement/guarantee is made to others, the financial unit shall perform review and assessment following the items below and take records:

1. Understanding relationship of endorsement and guarantee counterparty and this Corporation, purpose of loans and usage, relevance to business of this Corporation or significance of its operation to this Company, along with this Corporation's endorsement and guarantee limit and current balance, with evaluation of its necessity and reasonableness.
2. Analysis on operation, finance, and credit status and source of payoff based on annual report, financial report and other relevant information of endorsement and guarantee counterparty to measure potential risks.
3. Analysis on this Corporation's ratio of current balance of endorsement and guarantee to this Corporation's net value, liquidity and cash flow status, and the review results of the preceding paragraphs one and two to evaluate its effects to this Corporation's operation risks, financial status and shareholders' equity.
4. Based on type of guarantee and credit status of guarantee counterparty, and the assessment results from the preceding paragraphs one to three, a measurement on requiring the counterparty to provide appropriate collaterals shall be made, and a quarterly assessment on the discrepancy between the value of the collateral and the balance as stated in endorsement/guarantee. This Corporation may require the counterparty to provide additional collateral if necessary.

Article 8: Procedures for managing endorsement or guarantee by subsidiaries

1. Where any subsidiary of this Corporation intends to promulgate "Procedures for Endorsement and Guarantee", a passage by the board of directors shall be obtained before submitting for approval by the shareholders' meeting. When the subsidiary has established an audit committee, the promulgation of "Procedures for Endorsement and Guarantee" shall be approved by the audit committee and passed by the board of directors before submitted to shareholders' meeting for approval.
2. When a subsidiary provides a guarantee and endorsement, it shall do so in accordance with the provisions of its "internal control system" and "Management of endorsement and guarantees". It shall specify the balance, object, and term of the guarantee and endorsement in alignment with "Regulations Governing Loaning of Funds and Making of

Endorsements/Guarantees by Public Companies” promulgated by the FSC, so as to complete the declaration within the time limit.

Article 9: Hierarchy of Decision-Making Authority and Delegation Thereof

1. Any endorsement and guarantee made by the Company shall be in accordance with the Management specified by Article 6 and submitted to the Audit Committee and the Board of Directors for approval.
2. If the handling of the endorsement and guarantee due to business needs aligns with the Managements specified by the Management yet its value exceeds the specified quota, it shall be approved by the Board of Directors and be jointly insured by more than half of the directors for the possible losses. It shall further be submitted to the shareholders’ meeting for ratification of the Management. If the ratification is objected, a plan to eliminate the excess within a time period shall be formulated.

Article 10: Custody and Procedures of Corporate Chops

1. The Corporation shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements and guarantees. The chop shall be kept by the Board of Directors to authorize the person and may be used to seal or issue negotiable instruments, and a report to the Board of Directors for approval shall be made before dismissal or change of the designated chop custodian.
2. After the endorsement and guarantee has been resolved by the Board or approved by the Chairman, the financial unit shall fill out “Seal Use Application Form” and send along with approval record and documents to seal including endorsement and guarantee agreement or guaranteed negotiable instruments to financial supervisor before submitting to the person of corporate chop custody for applying seals.
3. Where the person of corporate chop custody applies seals, a check on availability of approval record, approval of “Seal Use Application Form” by financial supervisor, and matching of documents to seal shall be performed before applying seals. A note shall be made to “Seal Use Application Form” after the seal has been applied.
4. When making a guarantee for a foreign company, the Corporation shall obtain the Guarantee Agreement signed by the chairman authorized by the Board of Directors or a director or general manager authorized by the Chairman.

Article 11: Public Announcement Procedure

The Company shall make relevant public announcements with regard to matters related to endorsements and guarantees in accordance with the criteria for public announcements under the “Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies” promulgated by the Financial Supervisory Commission.

Article 12: Penal Principles

Any first violation by any manager or responsible person of the “Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies” promulgated by the Financial Supervisory Commission or the “Operating Rules of Endorsements and Guarantees” of the Company shall be subject to verbal warning. Any second violation shall be subject to written warning. Repeated or significant violations shall lead to dismissal.

Article 13: Any unspecified matters in these Procedures shall be dealt in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies” by FSC.

Article 14: Enactment and Amendment

The enactment or amendment of the Management shall be approved by 50% of the members of the Audit Committee and be submitted to the shareholders' meeting for discussion after approved by the Board of Directors.

Without the consent of more than half of the members of the Audit Committee, the preceding paragraph may be approved by more than two-thirds of the directors, and the resolutions of the audit committee shall be set forth in the minutes of the board of directors. Any objection by the director with a record or written statement shall be report to the shareholders' meeting for discussion.

All members of the Audit Committee referred to in this article and all directors referred to in the preceding paragraph shall be counted as actual incumbents.