

The Operational Procedures for Endorsements and Guarantees

- Article 1 These procedures are stipulated pursuant to the “Rules for Management of Public Company Loans and Endorsement Guarantee” and the “Rules for Management of Securities Dealers” by the Company in order to handle endorsement and guarantee.
- Article 2 The Company may make endorsements and guarantees for the following entities:
- 1) Where the Company makes reinvestment and holds more than 50% of shares of an overseas securities subsidiary, and if the overseas securities subsidiary wants to do the securities underwriting business, the Company shall offer the financing guarantee or property as guarantee for the overseas securities subsidiary.
 - 2) Where the Company that directly or indirectly holds 100% of shares of a securities subsidiary and establish overseas subsidiaries in countries or regions where there are securities competent authorities, and issue the subscription (selling) right abroad.
 - 3) Other companies approved by the competent authorities.
- Article 3 The ceiling on the amount of endorsements and guarantees:
- 1) The aggregate amount of guarantees or guarantees created shall not exceed 20% of the net worth of the Company.
 - 2) The amount of endorsements and guarantees to a single overseas subsidiary shall not exceed the aggregate amount of the Company.
 - 3) Matters for making endorsements and guarantees shall be executed within the preceding amount by the chairman authorized by the board of directors, and subsequently shall be reported to the board of directors for recognition.
- Article 4 Procedures for handling and reviewing endorsements and guarantees:
- 1) When the Company makes endorsements and guarantees, the financial division of the Company shall audit the necessity and the reasonability of endorsements and guarantees, perform the credit investigation and the risk assessment of the entity for which the endorsement and guarantee are made, evaluate the impact on the Company’s business operating risk, financial condition, and shareholders’ equity, and evaluate if the collateral and its appraisal value should be obtained. The assessment result then shall be submitted to the chairman for being executed in the preceding amount and reported to the most recent board of directors for recognition.
 - 2) Where the entity for which the endorsement and guarantee are made is a subsidiary whose net worth is 50% less than the paid-in capital, the related follow-up control measures shall be clearly defined
- Article 5 Procedures for use and custody of endorsement and guarantee stamps:
The Company shall use only the stamps registered in the Ministry of Economic Affairs for endorsements and guarantees. The stamps shall be under the custody of a person authorized by the board of directors and only be used after completing the application form and being approved in accordance with the stipulated procedure. If the warrantees

are foreign companies, the letter of guarantee issued by the Company shall be signed by the person authorized by the board of directors.

Article 6

Procedures for announcement and report

1) The announcement or report refers to the information that the Company should type it into the information declaration website appointed by the Financial Supervisory Commission.

The date of occurrence named in the procedure refers to the contract signing date, payment date, board resolution date or other dates when the transaction entity and amount are determined.

2) The Company shall announce and report the previous month's balance of endorsements and guarantees of its head office and its subsidiaries by the 10th day of each month.

3) The Company whose balance of endorsement and guarantee reaches one of the following levels shall announce and report such event within 2 days commencing immediately from the date of occurrence:

(1) The balance of endorsements and guarantees of the Company reaches 50% or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting by requirements, its increased balance reaches 5% of the Company's net worth as stated in its latest financial statement.

(2) The balance of endorsements and guarantees of the Company for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting by requirements, its increased balance reaches 5% of the Company's net worth as stated in its latest financial statement.

(3) The balance of endorsements and guarantees of the Company for a single enterprise reaches NTD 10 million or more and the aggregate balance of its endorsements and guarantees for, long-term investment in, and loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting by requirements, its increased balance reaches 5% of the Company's net worth as stated in its latest financial statement.

(4) The Company shall announce and report such event within 3 days commencing from the date of occurrence pursuant to the Rules for Management of Securities Dealers.

Article 7

Internal control procedures:

1) When the Company makes endorsement and guarantee activities, the financial department shall prepare a memorandum book for recording in detail the following information: the entity for which the endorsement and guarantee are made, the amount, date decided by the board of directors or the chairman, and the date when the endorsement and guarantee are made.

2) The Company's internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof at least every quarter and prepare written

records accordingly. They shall promptly notify the supervisors immediately in writing of any major violation found.

- Article 8 Where the limits stipulated in the Procedures for Endorsement and Guarantee have to be exceeded and comply with conditions stipulated in the Procedures for Endorsement and Guarantee in order to meet the business needs when the Company makes endorsements and guarantees, the approval from the board of directors and over half of all the directors should jointly endorse the potential loss that may be brought by the excess of limits. The board of directors shall also revise the procedures and has it ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the board of directors shall stipulate a plan containing a timetable to withdraw the excessive portion.
- Article 9 Where an employee of the Company who violates the procedures will be sued by law depending on the seriousness in addition to punishments made by relevant regulations of the Company.
- Article 10 Where the entity for which the endorsement and guarantee are made no longer meets the requirements, or the amount of the endorsement and guarantee exceeds the limit as a result of change of circumstances, the Company shall stipulate the improvement plans and submit them to the supervisors.
- Article 11 The Company shall evaluate or record the contingent loss for endorsements/guarantees and shall appropriately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.
- Article 12 Matters not mentioned in the procedures shall be settled in accordance with relevant laws, and shall be settled in accordance with the changed laws if the laws are changed. The procedures are subject to the approval of the board of directors and submitted to the supervisors and the shareholders' meeting for approval. Where any director expresses dissent and it contains the minutes or a written statement, the Company shall submit the director's opinion to the supervisors and the shareholders' meeting for discussion. Any amendment is subject to the same procedure.
- Article 13 When the procedures are submitted for discussion by the board of directors, each independent director's opinion shall be fully taken into consideration. The agreement or disagreement expressed by each independent director and its disagreement reasons shall be recorded in the minutes of the board meeting.
- Article 14 The procedures were stipulated on 27 May, 2004, revised on 9 June, 2006 for the first time, revised on 15 June 2011 for the second time, revised on 14 June, 2013 for the third time.