

# Topoint Technology Co., Ltd

## Endorsement & Guarantee Procedures

### I. Purpose and Basis

These Procedures are formulated in accordance with the provisions under the Guidelines for Lending of Capital to improve and strengthen the Company's financial management in endorsement and guarantee, and to minimise operating risks.

### II. Scope of Application

- (i) Except as provided under laws and regulations, endorsements and guarantees by the Company shall follow these Procedures.
- (ii) "Endorsement and guarantee" stated herein refer to:
  - 1. Financing Endorsement and Guarantee
    - (1) Bill discounting financing.
    - (2) Endorsements or guarantees made to meet the financing needs of other companies.
    - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
  - 2. Customs duty endorsements and guarantees: Refer to endorsements and guarantees for the Company or other companies in relation to customs duty matters
  - 3. Other endorsements and guarantees: Refer to endorsements and guarantees made that cannot be classified under the aforesaid two sub-paragraphs.
- (iii) Any creation of a pledge or mortgage on the Company's chattels or real estate as security for loans of another company shall also be subject to these procedures.

### III. Beneficiaries of Endorsements and Guarantees

- (i) The Company may endorse and guarantee for the following companies:
  - 1. Business associates

2. Company subsidiaries whereby the Company directly or indirectly holds more than 50 percent share with voting rights.
3. Companies which directly or indirectly hold more than fifty percent of the Company's shares with voting rights.
4. Company 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 company, provided that this restriction shall not apply to endorsements and guarantees made between companies in which the company holds, directly or indirectly, 100% of the voting shares.

When the Company, as a shareholder of a joint venture, makes endorsements or guarantees for the jointly invested company on behalf of each shareholder in proportion to the shareholder's holding percentage, it shall not be subject to the limitations detailed in the above provision.

- (ii) Where shareholders provide endorsement and guarantee for a joint-investment based on the percentage of shareholding, the Company may endorse and guarantee accordingly and shall not be subject to the aforesaid limitations.
- (iii) Subsidiary and parent company as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### IV. Total Sum and Limit

Total endorsement and guarantee and endorsement and guarantee for a single enterprise provided by the Company shall be as follows:

- (i) The overall amount of the Company's endorsements and guarantees shall be limited to Company's current term's net value.
- (ii) Total endorsement or guarantee provided for a single business beneficiary shall not exceed 60 percent of the Company's current term's net worth.
- (iii) The company and subsidiaries overall amount of the Company's endorsements and guarantees shall be limited to Company's current term's net value.
- (iv) The company and subsidiaries total endorsement or guarantee provided for a single business beneficiary shall not exceed 60 percent of the Company's current term's net worth.
- (v) The chairman shall be authorised to approve endorsements or guarantees not exceeding 30 percent of the Company's net worth. Computation of "net worth" is issuer financial reporting standards requirements attributable to the interests of the owners of the parent company on the balance sheet.

## V. Endorsement and Guarantee Procedures

- (i) Company before the provision of endorsement and guarantee, should carefully assess compliance with the operating procedures require, stating the details of the guarantee and its repayment plan, to be referred to the finance department for evaluation and analysis. Evaluation criteria shall include necessity and legitimacy; if endorsement is provided due to business dealings, to evaluate if such endorsement amount is in line with the business turnover; operating risks to the Company, effects on the Company's financial health and shareholders' interest, as well as the necessity of obtaining security and appraising the value of such security.
- (ii) Endorsement and guarantee in the preceding paragraph shall be first subject to risk assessment, proposed for resolution by the Audit Committee and board of directors before execution or approved by the chairman of the board, where empowered by the board of directors to grant endorsements and guarantees within a specific limit, for subsequent submission to and ratification by the next the Audit Committee and board of directors' meeting.
- (iii) Before making any endorsement and guarantee pursuant to Article 3, Item 1, Paragraph 4, a subsidiary in which the the company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement and guarantee to the Audit Committee and the board of directors for a resolution, provided that this restriction shall not apply to endorsements and guarantees made between companies in which the the company holds, directly or indirectly, 100% of the voting shares.
- (iv) In the event that the Company provides guarantee for foreign companies, the letter of guarantee provided by the Company shall be signed by a person authorised by the board of directors.

## VI. Supervision

- (i) For endorsements and guarantees provided by the Company, a memorandum book should be prepared detailing information such as guarantee matters, company name of the endorsee, results of risk assessment, date of adoption by the board of directors or decision by the chairman, amount and date of endorsement and guarantee, details of security obtained and its assessed value, as well as the conditions for and date of release from liability for endorsement and guarantee.
- (ii) Pursuant to endorsement and guarantee provided, where a debt is fully paid up or upon maturity of a bill, the guarantee beneficiary shall submit the relevant documents to the Company to cancel the guarantee registration.
- (iii) Upon maturity of an endorsement or guarantee and upon the exchange of bills or

agreements, where the amount is within the beneficiary's eligible limit for endorsement or guarantee, the guarantee procedures provided under Procedure V shall continue to apply.

- (iv) Where notification of cancellation of guarantee is not received upon the expiry of the endorsement and guarantee period or upon the maturity of conditions for relief of endorsement or guarantee liabilities, the administration unit shall send reminders for completion of such procedures.
- (v) The finance department shall conduct regular evaluation and recognition of endorsement and guarantee, appropriately reveal such endorsement and guarantee information in its financial reports, and shall provide the relevant information for a certified public accountant to conduct the necessary review procedures to provide appropriate review reports.

## VII. Custody and Use of Corporate Seal

- (i) The Company seal registered with the Ministry of Economic Affairs shall be kept under custody by a designated entity, the board of directors to be notified and its approval obtained for such custodian. The same applies to any change of custodian.
- (ii) The custodian of Company seal may use such seal for companies registered with the Ministry of Economic Affairs only upon the conditions for providing endorsement or guarantee comply with the procedures provided under Procedure V.
- (iii) In the event that the Company provides endorsement and guarantee for foreign companies, the letter of guarantee provided by the Company shall be signed by a person authorised by the board of directors.

## VIII. Limitation and Details of Public Announcement

- (i) The company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
- (ii) The company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (1) The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.
  - (2) The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest financial statement.

- (3) The balance of endorsements and/or guarantees by the Company and its subsidiaries for an individual enterprise is more than NT\$10 million or the aggregate amount of all endorsements and/or guarantees for amounts accounted for using the equity method, and balance of loans to, such enterprise reaches 30% of the Company's net value as stated in its latest financial statement.
- (4) The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.
- (iii) 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 pursuant to subparagraph 4 of the preceding paragraph.

## IX. Risk Assessment

When providing endorsement and guarantee, the Company shall assess the risks of endorsement and guarantee and prepare risk assessment records; where necessary, security shall be obtained.

## X. Applicability to Subsidiaries

- (i) Endorsement and guarantee for subsidiaries in which the Company holds more than fifty percent shares shall be governed by these *Procedures*.
- (ii) The subsidiary shall submit to the Company information on the total actual endorsement and guarantee amount before the 10<sup>th</sup> day of the following month, and shall announce in public and forward copies as stipulated under the provisions of Procedure VIII (I) hereof and Send.
- (iii) For foreign subsidiaries, public announcement under the provisions of Procedure VIII (II) shall be made within 2 days upon the date of occurrence.
- (iv) A subsidiary's internal auditors shall conduct audit checks and prepare documentary records on endorsement and guarantee procedures and the state of execution of which at least once every quarter. The Company's audit unit shall be notified of any major violations discovered, and such audit unit shall refer such written information to the **the Audit Committee**.
- (v) Company's auditors inspecting its subsidiaries based on its annual audit plan shall simultaneously study the subsidiary's procedures for providing endorsement and guarantee. Where inadequacies are discovered, follow-up on corrective measures shall be carried out and a tracking report prepared for the general manager.

## XI. Important Matters

- (i) The Company's internal auditors shall carry out audit checks on and prepare written records of its endorsement and guarantee operations and the state of execution thereof at least once every quarter. Where any major violation is discovered, the **Audit Committee** shall be notified in writing.
- (ii) Where changes occur in the Company such that the endorsement and guarantee beneficiary that original met the criteria under Procedure III hereof fails to do so thereafter, or where computation of the endorsement a guarantee amount exceeds the limit as provided under Procedure IV hereof as a result of changes to the bases on which the limit is computed, the audit department shall advise the finance department to clear entirely the endorsement and guarantee amount or the excess amount provided for the said beneficiary by the maturity of the contractual period or within a set period, as well as submit the said plan to the **Audit Committee** report to the board of directors.
- (iii) Where the Company exceeds the limit set forth herein for necessary endorsement and guarantee beneficiaries who meet the conditions herein provided as a result of business needs, prior approval must be obtained from **the Audit Committee and** the board of directors and with more than half of the board members providing joint-guarantee for any possible losses that the Company may incur from exceeding its limit, at the same time, amend these Procedures and submit to the shareholders' meeting for ex-post-facto approval. In the event that the shareholders' meeting does not give its approval, a plan to clear such excess within a stipulated period shall be formulated. **The board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.**

## XII. Penalties

Company managers and key personnel who violate these *Procedures* shall be reported and reviewed in accordance with the *Personnel Management Regulations* and *Staff Manual*, and a penalty imposed based on the severity of violation.

## XIII. Implementation and Amendment

**These endorsement procedures after passage by the audit committee and the board of directors, approval by the shareholders' meeting, where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the**

dissenting opinion for discussion by the shareholders' meeting, The same applies for amendments.

When the company appoints independent directors, it shall fully consider the opinions of each independent director when making endorsements/guarantees for others; independent directors express reservations or objections and their reasons shall be included in the board meeting minutes.

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 of directors meeting.

The terms all audit committee members in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.