

## **Powertech Technology Inc.**

### **Procedures for Endorsement & Guarantee**

#### **Article 1. Purposes**

1. These Procedures are established and modified based on “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the Financial Supervisory Commission.
2. These Procedures are adopted to strengthen the internal control of endorsement and guarantee, effectively controlling the risks arising from endorsement and guarantee.

#### **Article 2. Definitions**

1. Financing endorsement or guarantee: including endorsement/guarantee of notes issued by customers for cash financing with a discount, endorsement/guarantee for other companies’ financing needs; and endorsement/guarantee of notes issued by the Company to non-financial institutions for the Company's own financing needs.
2. Endorsement or guarantee of customs duties: referring to endorsement or guarantee of customs duties and other related payments.
3. Other endorsement or guarantee: any endorsement or guarantee other than those set forth in Paragraphs 1 & 2.

Providing guarantee of other companies' loans by creating liens, pledges or mortgages on the Company’s assets shall also follow the policies and procedures set forth herein.

#### **Article 3. Qualifications for Endorseees and Guarantees**

1. Companies having business relationship with the Company;  
Notwithstanding, the Company shall not provide any endorsement or guarantee if -

- (1) the endorsement or guarantee amount would exceed any of the limits provided herein.
  - (2) the proposed endorsee or guarantee does not have a good credit history or involves delinquent and bad debt disputes.
  - (3) the endorsement or guarantee is beyond the scope approved by the Board of Directors.
2. Companies whose voting shares are more than fifty percent (50%) owned directly or indirectly by the Company; or
  3. Companies who directly or indirectly own more than fifty percent (50%) of the Company's voting shares.

Subsidiaries whose voting shares are more than 90% owned, directly or indirectly, by the Company may provide endorsement or guarantee for each other, but the amount may not exceed ten percent (10%) of the net worth of the Company; provided however, this limit does not apply to endorsement or guarantee provided by subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company for each other.

The limits provided for in this Article shall not apply to mutual endorsements or guarantees provided for purposes of civil engineering projects between the Company and its peer group or joint proprietors pursuant to contracts, or endorsements or guarantees provided for joint venture purposes by all stockholders for the joint venture company in proportion to their respective stockholding percentage.

Stockholders of the joint venture company referred to in the preceding paragraph shall include the Company and/or its wholly owned subsidiaries

“Parent” and “Subsidiary” of a specified company referred to herein shall be identified in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In case that the financial reports of the Company are prepared applying International Financial Reporting Standards (IFRSs), the term “net worth” used herein shall mean the shareholders’ equity

attributable to the parent as defined under Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Article 4. Limits of Endorsement and Guarantee**

Endorsement and guarantee amount limits are set forth below:

1. The accumulated amount of endorsement and guarantee provided by the Company shall not exceed fifty percent (50%) of the net worth of the Company.
2. The total amount of endorsement and guarantee provided by the Company for another single company shall not exceed ten percent (10%) of the net worth of the Company.
3. The total amount of endorsement and guarantee provided by the Company and its subsidiaries as a whole shall not exceed fifty percent (50%) of the net worth of the Company.
4. The total amount of endorsement and guarantee provided by the Company and its subsidiaries as a whole for another single company shall not exceed ten percent (10%) of the net worth of the Company.
5. In addition to being subject to the limits set forth above, the total amount of endorsement and guarantee provided by the Company for another single company having business relationship therewith shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of endorsement or guarantee. For the purpose of these Procedures, the "transaction amount" shall mean the sales or purchase amount between the parties, whichever is higher.

The Board of Directors may authorize the Chairman to make decisions on providing endorsement or guarantee within the limits set forth herein, and the Chairman shall then submit such decisions to the Board of Directors for its ratification.

Any subsidiary whose voting shares are more than 90% owned, directly or indirectly, by the Company intending to provide endorsement or guarantee for another such subsidiary pursuant to paragraph 2 of Article 3 shall submit the

relevant proposal to the Board of Directors for its approval unless both of them are wholly owned by the Company.

#### **Article 5. Operating Procedures**

1. The necessity and reasonableness of an endorsement or guarantee to be provided by the Company and the associated risks shall be verified and evaluated prior to processing the endorsement or guarantee. Collateral may be required if necessary.
2. When processing endorsement or guarantee to be provided or cancelled by the Company, the personnel-in-charge shall submit the required basis information and financial statements of the endorsee or guarantee to the Financial Department for conducting the credit check to investigate and evaluate the endorsee or guarantee's operation status, financial condition, credit history and profitability and shall also evaluate the impacts towards the Company's operating risk, financial position and shareholders' equity.
3. Upon the completion of the credit check and the relevant evaluation, the financial personnel shall submit a petition, stating the name of endorsee or guarantee, date of endorsement or guarantee, object to be endorsed or guaranteed, covenants, amount, prerequisites for release of endorsement or guarantee, date of and reason for such release and note(s) or any other instrument(s) to be returned, to the Chairman for his/her review and present the same to the Board of Directors for its approval. In case of a business need, the Chairman may make decisions on the endorsement or guarantee within the scope of its authority and then submit such decisions to the Board of Directors for its ratification.
4. The Company may require collateral with equivalent value of the endorsement or guarantee if necessary, and may consult professional appraisers to assess the value of collateral.
5. A memorandum book shall be established and maintained by the Financial Department to record the endorsements and guarantees provided by the Company in which the identification of endorsees and guarantees, amounts,

dates of the Board of Directors' approvals and/or the Chairman's decisions, and the matters required to be carefully evaluated hereunder shall be stated in detail. The statement of balance of endorsement and guarantee for each month shall be prepared at the beginning of the next month, reported to the Chairman, filed with the securities authorities and publicly disclosed.

6. When processing the cancellation of an endorsement or guarantee, the Company shall require the return of notes and/or any other instruments issued or executed by the Company, and then affix the stamp "Cancelled" thereon to proceed the cancellation; in addition, the date of and reason for such cancellation shall also be recorded in the relevant memorandum book.
7. The originals of the returned and cancelled notes and/or any other instruments for endorsement and/or guarantee and the duplicates thereof shall be recorded in the relevant memorandum book with proper numbering and well preserved in order.

#### **Article 6. Custody and Use of the Seals**

Instruments for endorsement or guarantee may not be deemed effective unless otherwise affixed with the company seals registered at the Ministry of Economic Affairs. The custody and use of the registered seals shall be dealt with in accordance with the relevant policies and procedures of the Company. Notes to be issued for providing endorsement or guarantee and the registered seals of the Company and the Chairman shall be kept separately by different personnel and may not be used unless otherwise in accordance with the relevant policies and procedures of the Company. When providing endorsement or guarantee to a foreign company, instruments for the endorsement or guarantee shall be signed by the Chairman pursuant to the authority given by the Board of Director.

#### **Article 7. Filing and Disclosure**

1. The Company shall each month file the information of endorsements and guarantees balances of it and its subsidiaries as of the end of the previous month

with the Financial Supervisory Commission and publicly disclose the same by entering such information on the website designated by the Financial Supervisory Commission by the 10th day of each month.

2. Whenever any of the following events occurs, the Company shall file the relevant information with the Financial Supervisory Commission and publicly disclose the same within two days (date of occurrence included):

- (1) The aggregate balance of endorsements and guarantees provided by the Company and its subsidiaries reaches fifty percent (50%) or more of the net worth of the Company as shown on its latest financial statement.
- (2) The balance of endorsements and guarantees provided by the Company and its subsidiaries for a company reaches twenty percent (20%) or more of the net worth of the Company as shown on its latest financial statement.
- (3) The balance of endorsements and guarantees provided by the Company and its subsidiaries for a company reaches NT\$10 million or more, and the aggregate amount of all endorsements and guarantees for, carrying value of equity method investment in and balance of loans to such company reaches 30% or more of the net worth of the Company as shown on its latest financial statement.
- (4) The amount of new endorsements and guarantees provided by the Company or its subsidiaries reaches NT\$30 million or more, and reaches five percent (5%) or more of the net worth of the Company as shown on its latest financial statement.

In case that the event stated in clause (4) occurs to any of the Company's subsidiaries which is not a public company in Taiwan, the Company shall file and publicly disclose the information on behalf of such subsidiary.

The term "date of occurrence" used herein shall mean date of agreement execution, date of delivery of proceeds, date of the resolution of the Board of Directors or any other date on which the party and the amount of the endorsement & guarantee can be ascertained, whichever is earlier.

- Article 8.** The Accounting Department shall assess and recognize, if any, contingent losses brought about by endorsements or guarantees, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing.
- Article 9.** The Company's internal auditors shall perform auditing on the Company's endorsement and guarantee activities every quarter and produce written reports. Should there be any violation found, the Audit Committee shall be notified in writing.
- Article 10.** In the event that, while meeting all the criteria's, there is a necessity to provide endorsement or guarantee exceeding the amount limits set forth herein due to a business need, a joint guarantee shall be required to be provided by a half or more of Directors to the Company to secure the losses which may be incurred to the Company because of the excessive endorsement or guarantee, which shall be approved by the Board of Directors. An amendment to these Procedures shall also be proposed and approved by the Board of Directors to be submitted to a meeting of the shareholders for their ratification. Should the shareholders present at the meeting decide not to ratify such amendment, a corrective plan shall be adopted to correct the excessive endorsement or guarantee within a specified period. In determining whether to approve and adopt these Procedures and any amendment hereto, the Board of Directors shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the meeting of the Board of Directors.
- Article 11.** In the event that an endorsee or guarantee becomes disqualified under these Procedures or there is any excess over the endorsement and guarantee amount limit(s) set forth in these Procedures due to unexpected changes, corrective plans shall be proposed and submitted to the Audit Committee. The Company shall then take such planned correction actions within the period specified in such plans.

**Article 12.** When any subsidiary of the Company plans to provide endorsement or guarantee to others, the Company shall cause the subsidiary to establish relevant procedures in accordance with these Procedures and then follow those procedures to deal with its endorsement or guarantee activities.

**Article 13.** The adoption of these Procedures and any amendment hereto shall be approved by a majority of members of the Audit Committee and then submitted to the Board of Directors for its approval. Without the approval of the Audit Committee, these Procedures and any amendment hereto may also be approved and adopted by two third (2/3) of members of the Board of Directors with the detail of the Audit Committee's decision being recorded in the Board meeting minutes. In determining whether to approve and adopt these Procedures and any amendment hereto, the Board of Directors shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the meeting of the Board of Directors. "Members" of the Board of Directors or of the Audit Committee referred to herein shall mean the existing members.

**Article 14.** Where the endorsee or guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Financial Department shall evaluate such subsidiary's financial structure on a monthly basis, and any material change thereto shall be immediately reported to the Chairman to allow relevant personnel in charge to deal with it as soon as possible. In the case of subsidiaries whose shares having no par value or a par value other than NT\$10, "paid-in capital" referred to herein shall be the sum of share capital plus share premium.