

# **Chlitina Holding Limited Endorsement and Guarantee Operating Procedure**

I. Objectives

In order to meet operational demands and to comply with the applicable requirements of the laws and regulations so that there is something to be followed in the Company's endorsement/guarantee process, this Procedure is prepared in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" released by the Securities and Futures Bureau under the Financial Supervisory Commission of the Republic of China. For matters not covered herein, applicable requirements of the laws and regulations of the Republic of China and those promulgated by the competent authority shall also be followed.

II. Scope

When providing endorsements/guarantees for others, the Company shall follow the requirements herein with regards to the procedure for making of endorsements/guarantees.

III. Responsible parties

Related sales representatives at financial and accounting units and related responsible supervisors.

IV. Operation details

(I) Endorsement and guarantee herein includes:

1. Financing endorsements and guarantees, including endorsements or guarantees for the purpose of discounted note financing and financing for other companies and separate issuance of notes to non-financial businesses as the collateral for the purpose of financing the Company.
2. Tariff endorsements and guarantees, which are the endorsements and guarantees for the Company or other companies regarding tariff.
3. Other endorsements and guarantees, which are the endorsements or guarantees that cannot be included as part of the preceding two paragraphs.
4. The requirements herein shall also be followed when the Company sets a pledge or mortgage for the personal property or real estate provided as the collateral for borrowings from other companies.

(II) Counterparty of endorsement and guarantee

1. Company that currently does business with the Company.
2. Company where the Company directly and indirectly holds over 50% of shares with voting rights.
3. Company that directly and indirectly holds over 50% of the Company's shares with voting rights.
4. Endorsements and guarantees may take place between companies where the Company directly and indirectly holds at least 90% of their shares with voting rights and the value may not exceed 10% of the net worth of the Company. This is not applicable for endorsements and guarantees between companies that the Company directly and indirectly holds 100% of their shares with voting rights.
5. Invested company endorsed and guaranteed by all funding shareholders according to their holding ratio due to a shared investment relationship.

(III) Limit of endorsement and guarantee

The total value of external endorsements and guarantees of the Company may not exceed 50% of the net worth for the current term. The limit of endorsement and guarantee for a single enterprise may not exceed 20% of the net worth for the current term. When the total value of endorsements and guarantees available as a whole of the Company and its subsidiaries reaches at least 50% of the net worth of the Company, the necessity and legitimacy shall also be explained in the shareholders' meeting. Endorsements and guarantees as a result of a business relationship, on the other hand, may not exceed the sum of transactions with the Company in the most recent year (the purchases or sales between

the parties, whichever is higher). The so-called net worth is based on the equities that belong to the client of the parent company as shown in the Balance Sheet as part of the most recent financial statement audited and certified or reviewed by the CPA.

(IV) Decision-making and Authorization Level

1. To provide endorsements and guarantees, the Company shall first obtain approval from the Board of Directors. For time efficiency, the Chairman may be authorized by the Board of Directors to make a decision for the limits below and bring it forth in the next Board of Directors' meeting for follow-up approval and report related conditions involved in the process in the shareholders' meeting for reference.
  - (1) The total value of the endorsement or guarantee does not exceed 30% of the net worth of the Company as shown in the most recent financial statement audited and certified or reviewed by the CPA.
  - (2) The value of the endorsement or guarantee for a single enterprise does not exceed 20% of the net worth of the Company as shown in the most recent financial statement audited and certified or reviewed by the CPA.

To provide endorsements and guarantees to subsidiaries that the Company directly and indirectly holds at least 90% of their shares with voting rights, prior submission to the Company's Board of Directors for a decision is required. This is not applicable for endorsements and guarantees between companies that the Company directly and indirectly holds 100% of their shares with voting rights.

2. When endorsements and guarantees to others, the Company shall sufficiently take into consideration opinions from respective independent directors. In case of any disagreement or reserved opinions from independent directors, it shall be stated so in the Board of Directors' meeting minutes.

(V) Organizing endorsements/guarantees

1. When the endorsed/guaranteed enterprise needs to use the value of endorsement/guarantee within the limit available, it shall provide basic information and financial data and complete the "Endorsement/Guarantee Application Form" and apply with the Company's financial unit. The financial unit shall evaluate carefully, investigate the credit status and perform risk assessment. Items being evaluated include the necessity and legitimacy, whether or not the value of the endorsement/guarantee engaged in based on a current business relationship reflects the business value, the impacts on the Company's operational risk, financial standing, and shareholders' equity, whether or not a collateral should be obtained, and the appraisal value of the collateral, etc.
2. The processor at the Company's financial unit compiles related materials and assessment results in the preceding paragraph. If the accumulated balance of endorsements and guarantees still available for a single enterprise at the time of the current application for endorsement and guarantee has not exceeded 20% of the net worth shown in the financial statement recently audited and certified or reviewed by the CPA and the accumulated value of endorsements and guarantees provided to all companies has not exceeded 30% of the net worth shown in the financial statement recently audited and certified or reviewed by the CPA, it will be processed as instructed by the Chairman and will be brought forth in the next Board of Directors' meeting for follow-up approval. If the accumulated balance of endorsements and guarantees has exceeded the above-mentioned limit, on the other hand, it will be submitted to the Board of Directors for a decision and handled according to the decision made by the Board of Directors.
3. The "Reference Book for Endorsements/Guarantees" prepared by the financial unit shall document in detail the counterparty, the value, the date approved by the Board of Directors or the Chairman, the date of endorsement and guarantee, matters that shall be carefully evaluated as required herein, details about the collateral and the appraisal value, and the

conditions for and date of dismissal of the endorsement and guarantee liabilities for future reference.

4. Upon re-payment, the endorsed and guaranteed enterprise shall copy the Company information on the re-payment in order to relieve the Company of the guarantee liability and such information shall be documented in the "Reference Book for Endorsements/Guarantees".
5. The financial unit shall periodically evaluate and recognize losses from endorsements/guarantees, if any, and adequately disclose information on endorsements/guarantees in the financial statement as well as provide the CPA with related materials for the latter to perform the necessary audit procedures and issue adequate financial statements.

(VI) Retention of the seal stamp

The seal stamp exclusively for endorsements/guarantees shall be kept by someone approved by the Board of Directors. The seal stamp may only be used or the note may only be signed off and issued when endorsements/guarantees follow the operating procedures required by the Company. If the Company offers guarantees for foreign companies, the guarantee letter issued by the Company shall be signed by someone authorized by the Board of Directors.

(VII) Precautions for organizing endorsements/guarantees:

1. The internal audit staff of the Company shall audit the Endorsement and Guarantee Operating Procedure and its implementation status at least on a quarterly basis and prepare the "Internal Audit Report". In cases of major violations discovered, respective audit members shall be notified immediately in writing.
2. If the counterparty of endorsement and guarantee that originally met the requirements in Article (2) herein was found later to be non-compliant due to changes in situation or the value of endorsement and guarantee exceeds the limit defined in Article (3) herein due to the change in the calculation criteria, the audit unit of the Company shall urge the financial unit to completely offset the value of endorsement and guarantee or the excessive value for the specific counterparty upon expiration of the established duration or within a given period. The financial unit shall prepare the "Improvement Plan for Disqualified Counterpart of Endorsement/Guarantee or Excessive Value" and submit it to the respective audit members and report it to the Board of Directors and complete improvements by the planned schedule.
3. When organizing endorsements and guarantees to meet operating demands and it is necessary to exceed the limits established herein and the conditions herein are fulfilled, the Company shall seek approval from the Board of Directors and have a named warranty for the possible losses resulting from the excess, from more than two-thirds of the directors and this Procedure shall be amended and brought forth in the shareholders' meeting to be endorsed. When it is disapproved in the shareholders' meeting, it shall be planned to offset the excess within a certain period of time. During the discussion by the Board of Directors as mentioned in the preceding paragraph, in case of a disagreement or reserved opinions from independent directors, it shall be stated so in the meeting minutes of the Board of Directors.
4. If the counterparty of endorsement and guarantee is a subsidiary with a net worth below one half of the paid-in capital size, the subsidiary shall periodically provide the operating report and prepare the improvement plan and submit related reports and improvement plans to the respective audit members and complete improvements by the planned schedule. When the subsidiary's shares do not have a denominated value or the denominated value is not NT\$10 per share, the paid-in capital size calculated as required shall be the sum of the share capital plus capital reserve-issuance premium.

(VIII) Announcement and filing deadline and contents after public offering of the Company  
(The procedure below applies after the Company has its public offer in Taiwan.)

1. The Company shall enter the balance available for endorsement and guarantee from the previous month of the Company and its subsidiaries by the tenth day of each month in the Market Observation Post System.
2. When the balance of the funds available for endorsements/guarantees meets one of the following criteria, the Company shall enter the information within two days from the actual date of occurrence in the Market Observation Post System:
  - (1) The balance available for endorsement and guarantee of the Company and its subsidiaries reaches at least 50% of the net worth of the Company as shown in its most recent financial statement.
  - (2) The balance available for endorsement and guarantee to a single enterprise of the Company and its subsidiaries reaches at least 20% of the net worth of the Company as shown in its most recent financial statement.
  - (3) The balance available for endorsement and guarantee to a single enterprise of the Company and its subsidiaries reaches NT\$10 million (or the equivalent foreign currency) and the sum of endorsement and guarantee, the book value of investments adopting the equity method and the balance of funds available for lending reaches 30% and above of the net worth of the Company as shown in the most recent financial statement.
  - (4) The value of additional endorsements and guarantees of the Company or its subsidiaries reaches NT\$30 million (or equivalent value in RMB) and above and 5% of the net worth of the Company as is shown in its most recent financial statement.
3. If a subsidiary of the Company is not a domestic public offering company and has the matters described above in respective sub-paragraphs that shall be entered in the Market Observation Post System, the Company shall do it.
4. The Company shall evaluate or recognize losses from endorsements/guarantees, if any, and adequately disclose related information in the financial statement as well as provide the CPA with related materials for the latter to perform necessary audit procedures.
5. The so-called “actual date of occurrence” herein is the date when a transaction contract is signed, the payment is made, the Board of Directors makes a decision, or it is sufficient to define the counterparty of the endorsement and guarantee and the value, whichever occurs first.

(IX) Control over for endorsement/guarantees to subsidiaries

1. If endorsement/guarantees for others is intended by subsidiaries of the Company, the Procedure shall also be established and be followed accordingly. The net worth, however, is calculated on the basis of the net worth of the subsidiary.
2. The subsidiary shall prepare the statement of endorsements and guarantees for others in the previous month by the fifth day of each month and submit it to the Company for review and approval.
3. The internal audit staff of the subsidiary shall audit the Endorsement and Guarantee Operating Procedure and its implementation status at least on a quarterly basis and prepare the “Internal Audit Report”. In cases of major violations discovered, the Company’s audit unit shall be notified immediately in writing. The Company’s audit unit shall deliver written materials to respective audit members.
4. When performing an audit in a subsidiary according to the Annual Audit Plan, the audit staff of the Company shall also have an understanding of how the procedure for endorsements and guarantees for others is implemented in the subsidiary. In case of any deficiency found, its improvement status shall be followed up continuously and the “Improvement Report for Deficiencies Found during Internal Audit” shall be prepared and

submitted to the General Manager and the Chairman.

(X) Penalty

When the Company's managers and responsible people violate this Procedure, penalties varying in severity under the Company's applicable personnel rules shall apply, depending on the severity of the condition.

(XI) Implementation and Revision

1. This Procedure shall be approved by at least one-half of all members of the Audit Committee and be submitted to the Board of Directors for a final decision. Once they are approved by the Board of Directors, they shall be submitted to respective Audit Committee members and also the shareholders' meeting for approval and be implemented accordingly. In case of a disagreement expressed by directors with records or written statements or revisions to the applicable laws and regulations, the Company shall submit the change contents to the respective Audit Committee and also the shareholders' meeting for discussion; the same applies on any revisions. In addition, when submitting this Proposal to the Board of Directors for discussion as required in the preceding paragraph, the Company shall sufficiently take into consideration opinions from the respective independent directors. In case of any disagreements or reserved opinions from the independent directors, it shall be stated so in the meeting minutes of the Board of Directors.
2. Establishment or revising this Procedure is subject to approval by at least one half of all members of the Audit Committee and submission to the Board of Directors for a final decision. Without the approval by at least one half of all members of the Audit Committee, it may be supported by at least two-thirds of all directors and the decision of the Audit Committee shall be specified in the meeting minutes of the Board of Directors.

(XII) Compliance

This Procedure is prepared in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. In case of conflicts between this Procedure and the local laws and regulations for the subsidiaries, the local laws and regulations shall prevail.

V. Related documents

- (I) Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies
- (II) Financial Accounting Standard 9
- (III) Work Rules

VI. Related forms

- (I) Endorsement/Guarantee Application Form
- (II) Reference Book for Endorsements/Guarantees
- (III) Board of directors meetings minutes
- (IV) Improvement Plan for Disqualified Counterpart of Endorsement/Guarantee or Excessive Value
- (V) Internal Audit Report
- (VI) Improvement Report for Deficiencies Found during Internal Audit

## VII. Version record

Version	Summary of changes contents	Date
1	Addition	August 23, 2012
2	Some of the articles regarding the counterparty of endorsement/guarantee and the limit are revised to go with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.	August 26, 2013
3	Amendment	June 5, 2019