

Namchow Holding Co., Ltd.

Procedure for Endorsement and Guarantee

I. Purpose

According to the “Criteria for Financing and Endorsement and Guarantee by Public Companies”, The Endorsement and Guarantee undertaken by the Company shall be governed in accordance with the provisions of this operating procedure.

II. Scope of application

Endorsement and Guarantee as referred to in This Procedure shall include:

- (I) Endorsement and guarantee for financing:
 - 1. Financing of customer cheque by discount.
 - 2. Endorsement and guarantee in favor of a third party for financing.
 - 3. Issuance of financial instrument by the Company as surety for a non-financial institution for purpose of financing.
- (II) Endorsement and guarantee for duties: Endorsement and guarantee for tariff payment of the Company or in favor of a third party.
- (III) Other types of endorsement and guarantee: other types of endorsement and guarantee that cannot be classified into the aforementioned 2 categories.
- (IV) The Company may pledge movables or real property as lien, mortgage in favor of a third party for financing in accordance with This Procedure.

III. The beneficiaries of endorsement and guarantee

The beneficiaries of endorsement and guarantee undertaken by the Company shall be confined to the following companies. This provision may be waived if endorsement and guarantee is undertaken in reciprocity with an industry peer for the contracting of works, or investment in joint venture in proportion to the investment made by the shareholders.

- (I) Companies engaged in business transactions with the Company.

(II) Companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.

(III) Companies that directly or indirectly hold more than 50% of the equity shares with voting rights of the Company.

Companies where the Company directly or indirectly hold more than 90% of their voting shares may be endorsed and the amount shall not exceed 10% of the net value of the Company. However, companies where the Company directly or indirectly hold 100% of the voting rights is not limited to this.

IV. The limit of endorsement and guarantee

(I) The limit of endorsement and guarantee undertaken by the Company and subsidiary shall be limited to the net worth of the Company in current period. The limit of endorsement and guarantee undertaken by the Company in favor of particular enterprise shall be limited to the net worth of the Company in current period.

(II) In addition to the limits mentioned above, the amount of individual guarantees shall not exceed the amount of business transactions between the two parties by the endorsement guarantor with the Company due to business ties.

The subsidiaries and parent companies referred to in this operating procedure shall be identified should be in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. The net value referred to in this operating procedure refers to the equity of the securities issuer's financial report preparation standards attributable to the owners of the Parent company.

V. Procedure for Endorsement and Guarantee

(I) The treasury of the Company shall review the eligibility of the applicants, and to check if the limit granted is relevant with This Procedure and reach the level required for declaration. The risk inherent to endorsement and guarantee shall also be assessed and the findings shall be addressed to the Audit Committee and the Board of Directors for approval, collateral shall be obtained if necessary. If the amount falls within the allowable

limits, the Chairman shall make decision for approval on the basis of the credit standing and financial position of the applicants.

- (II) The treasury of the Company shall prepare a registry for tracking the endorsement and guarantee for record. Upon the resolution of the Board for approval. Except for the prescribed procedures, the beneficiaries of endorsement and guarantee, the amount, the date of endorsement and guarantee, and items subject to cautious review shall be traced on record.
- (III) The internal auditors shall conduct audit on the operation procedure of endorsement and guarantee and the implementation in compliance with This Procedure quarterly and keep record. In the event of material violation of This Procedure, notify the Audit Committee and independent Directors in writing at once; In the event of violations against law, regulations or the provisions of this operating procedure, penalties will be given depending on the situation.
- (IV) The treasury of the Company shall prepare a statement on new entries and settlement of endorsement and guarantee and related details monthly for tracking and for declaration, and conduct evaluation and recognize sufficient amount of provision for contingent loss of endorsement and guarantee quarterly. The detail shall be disclosed in the financial statements and as reference for the external auditors.
- (V) In the event of situation change, to the extent that the beneficiaries of endorsement and guarantee are no longer relevant with the standard prescribed in This Procedure or the amount of endorsement and guarantee exceeds the required limit, the treasury shall prepare an improvement plan and settle the amount in excess of the limit within designated period at the approval of the Chairman, and forward the plan to the Audit Committee and Independent Directors to complete the areas of improvements according to the plan.
- (VI) Before the expiration of endorsement and guarantee, the treasury of the Company shall actively notify the enterprises under guarantee to repossess the original endorsement guarantee bill or related documents, and cancel the endorsement to guarantee the relevant deed.

VI. Detailed Review Procedure

In processing endorsement and guarantee, the treasury of the Company shall review and evaluate the following, and keep the findings on record:

- (I) Understand the relation between the beneficiaries of endorsement and guarantee and the Company, the purpose of the loan, the association with the business of the Company, or the importance of their operation to the Company, and evaluate the necessity and rationality of endorsement and guarantee with reference to the limit and available balance.
- (II) Obtain the annual reports, financial statements, and related information of the beneficiaries, conduct analysis of their operation, financial position, credit standing, and the sources of funds for retirement of loan for assessing possible risks.
- (III) Conduct analysis of the balance of the Company in endorsement and guarantee in proportion to the net worth, liquidity and cash flow status, and the review result from (I) and (II) to assess the effect of operation risk, financial position, and shareholders' equity of the Company.
- (IV) Evaluate if it is necessary for requesting collaterals from the beneficiaries of endorsement and guarantee depending on the nature of guarantee and the credit standing of the beneficiaries and also the results of evaluation in (I) ~ (III), and appraise the value of the collaterals on a quarterly basis to ensure relevance with the balance of endorsement and guarantee. Where necessary, request the beneficiaries for additional collaterals.

VII. Procedure for control of endorsement and guarantee in favor of subsidiaries

- (I) If specific subsidiary elects to undertake endorsement and guarantee in favor of the others, all subsidiary shall give directive to institute the "Procedure for Endorsement and Guarantee" in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies" promulgated by Financial Supervisory Commission (hereinafter referred to as "FSC"), and follow the procedure in financing.

- (II) If specific subsidiary of the Company elects to undertake endorsement and guarantee in favor of the others, follow its “Internal Control” and “Procedure for Endorsement and Guarantee”. The internal audit function of the Company shall include the endorsement and guaranteed undertaken by subsidiaries as an item for monthly audit.
- (III) If specific subsidiary of the Company is not a public company, and the balance of endorsement and guarantee of this subsidiary to the others meet the standard set forth in II of this provision that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.
- (IV) If a subsidiary where the Company directly or indirectly holds more than 90% of its equity shares with voting rights elects to undertake endorsement and guarantee in favor of the others, the resolution of the Board of the Company for approval shall be necessary. This provision could be waived for direct or indirect wholly-owned subsidiary of the Company with 100% voting rights.

VIII. Decision-making and gate approval

- (I) The Company may undertake endorsement and guarantee in accordance with V of This Procedure subject to the final approval of the Board. For the benefit of time, the Board shall authorize the Chairman with decision latitude for total amount and amount to particular enterprise within specific limit, and report to the nearest session of the Board for ratification.
- (II) In case the endorsement and guarantee amount exceeds the limit as specified in This Procedure for business needs and is in compliance with the terms and conditions under This Procedure, report to the Board for consent with the countersignatures of at least half of the Directors for guarantee of the amount in excess of the limit in case of loss, and amend This Procedure and report to the Shareholders’ Meeting for ratification.

If the Shareholders' Meeting does not agree with the change, the amount in excess of the limit must be settled within specific period.

IX. Custody and Procedure for Specimen Seal

- (I) The Company shall use the specimen seal on file of the Ministry of Economic Affairs for registration of incorporation for endorsement and guarantee. This seal shall be kept by designated personnel by the choice of the Chairman at the approval of the Board and any replacement of the keeper shall be subject to the approval of the Board. The specimen seal shall be listed as an item for transfer in case of rotation of duties.
- (II) Upon the resolution of the Board or the approval of the Chairman, the documents pending of the affixing of the specimen seal shall be subject to the approval of the head of treasury of the Company before forwarding to the keeper of the specimen seal for affixing or issue of ticket.
- (III) For guarantee in favor of a foreign company, the letter of guarantee issued by the Company shall be affixed with the authorized signature of the Chairman or the President.

X. Procedure for Declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of endorsement and guarantee of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.
- (II) Further to the declaration of the amount of endorsement and guarantee on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the endorsement and guarantee in favor of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.

1. The Company and the subsidiary's total amount of endorsement and guarantee exceeds 50% of the net worth of the Company as stated in the financial statements covering the most recent period.
2. The company and the subsidiary's amount of endorsement and guarantee to particular enterprise exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
3. The company and the subsidiary's additional amount of endorsement and guarantee in favor of particular enterprise exceeds NTD10 million and the total of endorsement and guarantee, long-term investment and loan balance exceeds 30% of the net worth of the Company as stated in the financial statements covering the most recent period.
4. The company and the subsidiary's' additional amount of endorsement and guarantee exceeding NTD30 million or 5% of the net worth of the Company as stated in the financial statements covering the most recent period.

The subsidiary of the Company is not a domestic public issuance company. The subsidiary has an announcement and declaration, which should be made by the Company. The date of occurrence of the facts referred to in this operating procedure refers to the date of the signing, payment, the resolution of the Board of Directors, or other dates on which the funds are credited with the object and the amount of money.

XI. Penalty

If the personnel of the Company related to the processing of financing the others violate the "Criteria for Financing and Endorsement and Guarantee by Public Companies" or this operating Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the

internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.

- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Audit Committee and Independent Directors shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

XII. Miscellaneous

- (I) In case the Company undertakes endorsement and guarantee in favor of a subsidiary which net worth falls below 1/2 of the paid-in capital, the treasury of the Company shall keep track on the financial position, business and credit standing of the beneficiary quarterly. In the event of significant change, report to the Chairman at once and take appropriate measures as instructed. If the shares issued by the subsidiary bears no face value or the face value is not NTD10, the paid-in capital shall be calculated on the basis of equity capital plus capital reserve net of premium of issuance.

(II) This Procedure shall be subject to the resolution of the Board with circulation to the Audit Committee and presentation before the Shareholders' Meeting for ratification so as to come into effect. The same applies to the amendment.

The operating procedures and related provisions shall be subject to the approval of the Audit Committee, which more than half of the members of the Audit Committee shall agree. If more than half of the members do not agree, more than two-thirds of all Directors may agree to do so, and the resolutions of the Audit Committee shall be clearly recorded at the Board Meeting.

The operating procedures and related provisions shall be fully considered by the Independent Directors when they are submitted to the Board of Directors for discussion. If the Independent Directors have objections or reservations, they shall be stated in the minutes of the board of Directors.

All members of the Audit Committee and all Directors referred to in this operating procedure are calculated by the actual incumbent.