

Orient Semiconductor Electronics, Ltd.

Procedures for Endorsements and Guarantees

March 8, 1990 Establishment
April 19, 1994 Amendment Announcement
March 26, 1997 Amendment Announcement
June 27, 2003 Amendment Announcement
June 14, 2005 Amendment Announcement
June 14, 2006 Amendment Announcement
June 10, 2009 Amendment Announcement
June 15, 2010 Amendment Announcement
June 11, 2013 Amendment Announcement
June 18, 2019 Amendment Announcement

Article 1 Purpose

In order to protect the shareholders' rights and interests, strengthen the financial management for the endorsements and guarantees and reduce its operational risks, this procedure has been established by the Company.

The Company's external endorsements and guarantees shall be subject to this procedure.

However, other regulations provided by law shall prevail.

Article 2 Legal Basis

This procedure has been established in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereinafter referred to as the "Regulations") published by the Financial Supervisory Commission (hereinafter referred to as the "FSC").

Article 3 Scope of Application

The endorsements and guarantees stated in this procedure shall refer to the following items:

I. Financing endorsements and guarantees include:

(I) Discounted Notes financing.

(II) Endorsements and guarantees for the purpose of other companies' financing.

(III) The guarantees for the notes issued by the Company to non-financial entities for the purpose of the Company's financing.

II. Tariffs Endorsements and guarantees refers to the endorsements and guarantees of the relevant tariff matters of the Company or other companies.

III. Other endorsements and guarantees refers to the endorsements and guarantees that cannot be classified in the preceding 2 sub-paragraphs.

The *lien* or pledge provided by the Company against its movable or

immovable properties to guarantee the loan of other companies shall also be subject to this procedure.

Article 4 Counterparty of the Endorsements and Guarantees

The Company may provide the endorsements and guarantees to the following companies:

- I. A company who has business dealings with the Company.
- II. A company whose voting shares are more than 50% held by the Company directly or indirectly.
- III. A company who directly or indirectly holds more than 50% of the Company's voting shares.

The companies whose voting shares are 90% or more held by the Company directly or indirectly may provide the endorsements and guarantees to each other and its amount shall not exceed 10% of the Company's net worth. However, the endorsements and guarantees between the companies whose voting shares are 100% held by the Company directly or indirectly shall not be subject to this restriction.

When the Company provides mutual endorsements and guarantees for other companies in the same industry or joint builders according to the contract for the purpose of undertaking a construction project, or all capital contributing shareholders provide endorsements and guarantees to their invested company according to their shareholding ratios because of a joint investment relationship, or the companies in the same industry provide joint and several guarantees to each other for the performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act,, such endorsements and guarantees shall not be subject to the restrictions of the preceding two paragraphs.

The capital contribution stated in the preceding paragraph shall refer to the capital contribution made directly by the Company or through a company whose voting shares are 100% held by the Company.

The subsidiary and parent company herein shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5 Maximum amount and Evaluation Criterion for Endorsements and Guarantees

The total amounts of the Company's external endorsements and guarantees as well as the amount for a single enterprise's endorsements and guarantees shall be limited as follows:

- I. The total amounts of the endorsements and guarantees for the

Company shall be limited by the Company's net worth. The endorsed amount on a single enterprise shall be limited to 30% of the total amount of the endorsements and guarantees.

- II. The amount of the endorsements and guarantees on a single enterprise that is made due to the business relationship shall not, in addition to compliance with the regulations of the first Sub-paragraph, exceed both parties' transaction amount in the most recent year. The foregoing amount of business transactions shall refer to the highest amount of purchase or sales between both parties.
- III. The total amount of the endorsements and guarantees for the Company and its subsidiaries shall be limited to the Company's net worth. The amount of the endorsements and guarantees on a single enterprise shall be limited to 50% of the total amount of the endorsements and guarantees.

When the total amount of the endorsements and guarantees for the Company and its subsidiaries reaches 50% or more of the Company's net worth, it shall explain its necessity and rationality at the shareholders' meeting.

The foregoing "net worth" shall be based on the financial statements audited by the CPAs in the most recent period.

Provided that the financial reports are prepared in accordance with the IFRS, the net worth stated in this procedure shall refer to the equity attributable to the shareholder of the parent company in the balance sheet pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 6 Decision and Authorization Hierarchy

- I. When the Company makes the endorsements and guarantees, it shall process the approval procedure stipulated in Article 7 of this procedure. It shall not be implemented before the resolution of the board of directors; or the chairperson makes a decision to process first within the authorized amount pursuant to Sub-paragraph 4 of this Article and afterward shall report it to the latest board of directors' meeting for ratification; the processing situation and the relevant matters shall be reported to the shareholders' meeting for reference.
- II. For the Company's endorsements and guarantees, in case the limits stated in the preceding article have the necessity to be exceeded in order to conform to business demands and such event meets the criteria stipulated in the Operational Procedures for Endorsements and

Guarantees, a resolution of the board of directors shall be obtained and more than half of the directors shall jointly secure with their names for the potential loss to the Company that may be brought about by the excess limits. This procedure shall also be amended and reported to the shareholders' meeting for ratification. If the amended procedure is not ratified at the shareholders' meeting, a plan to withdraw the excess of limits within a certain period of time shall be set up.

- III. When the Company has set up the independent director, the discussion of the endorsements and guarantees pursuant to Sub-paragraph 2 shall fully take into account the opinions of each independent director. If an independent director expresses an objection or a qualified opinion, it shall be recorded in the meeting minutes of the board of directors.
- IV. The amount of external endorsements and guarantees authorized by the chairperson shall not exceed 10% of the Company's net worth.
- V. For a subsidiary whose voting shares are 90% or more held by the Company directly or indirectly, before such subsidiary engages in the endorsements and guarantees pursuant to Paragraph 2 of Article 4, it shall be reported to the board of directors of the Company for resolution. However, the endorsements and guarantees between the companies whose voting shares are 100% held by the Company directly or indirectly shall not be subject to this restriction.

Article 7 Execution and Review Procedure of the Endorsements and Guarantees

I. Execution Department

The finance department shall be responsible for the relating operations of the Company's endorsements and guarantees. If necessary, the presidents may appoint other dedicated persons to assist in the processing.

II. Review Procedure

(I) When the Company conducts the endorsements and guarantees, the executing department shall prepare the specific review and evaluation report, the contents of the report shall include the following items:

1. Necessity and rationality of the endorsements and guarantees.
2. Credit investigation and risk assessment for the counterparty of the endorsements and guarantees.
3. The impact on the Company's operational risk, financial position and shareholders' rights and interests.
4. Whether or not the collateral should be obtained and the

assessed value of the collateral.

(II) When the Company conducts the endorsements and guarantees, the executing department shall submit a letter that states the endorsed and guaranteed company, counterparty, type, reasons and amounts etc., as well as the evaluation report stated in the aforesaid (I), for the approval of the president and chairperson, then report to the board of directors for resolution. However, in the event of business needs, the chairperson may approve first within the authorized amount stated in Article 6 of this procedure, and afterward report it to the latest board of directors for ratification. The executing situation and the relevant matters shall be reported to the shareholders' meeting for reference.

(III) Provided that the counterparty of the endorsements and guarantees is a subsidiary whose net worth is less than one-half of the paid-in capital, it shall specify the relevant subsequent control measures.

(IV) For the subsidiaries whose shares have no par value or a par value other than NT\$10, the calculation of the paid-in capital stipulated in the preceding sub-paragraph shall be the total of the share capital plus capital reserves minus the issue premium.

III. When the executing department conducts the endorsements and guarantees, it shall specifically assess the risk. If necessary, the collateral shall be obtained from the endorsed and guaranteed company.

IV. The finance department shall set up the memorandum book for endorsements and guarantees (as Annex 1) to record in detail for the endorsed/guaranteed counterparty, amount, the date approved by the board of directors or chairperson, the endorsed/guaranteed date and the matters that shall be carefully evaluated according to Sub-paragraph 2(I).

V. The finance department shall prepare the declaration detail statement (as Annex 2) for the previous month's external endorsements/guarantees amount before the 5th day of each month.

Article 8 Cancellation of the Endorsements and Guarantees

I. When the relevant credentials or notes of the endorsements and guarantees need to be cancelled due to the re-payment of the debt or renewal for extension, the endorsed/guaranteed company shall prepare an official letter together with the relevant credentials to the Company's

finance department for a seal of "Cancellation," then have the credentials returned; the application letter will be filed by the Company for reference.

- II. The finance department shall always record the cancelled endorsements and guarantees into the memorandum book to reduce the endorsed/guaranteed amount.

Article 9 Seal Use and Safekeeping

The Company shall adopt the company seal that is used for the registration with the Ministry of Economic Affairs as a designated seal of the endorsements and guarantees. The board of directors will authorize the chairperson to appoint one dedicated person to keep the seal. Sealing or issuing notes shall comply with the procedure of sealing management for the Company.

When the Company provides the guarantees to a foreign company, the board of directors shall authorize the chairperson to sign on such a guaranteed letter.

Article 10 Announcement and Declaration Procedure

- I. The announcement stated in this procedure shall refer to the information declaration website of the FSC.
- II. The date of occurrence of the facts stated in this procedure shall refer to the earliest date among the date on which the contract is signed, the date of payment, the resolution date of the board of director or other date on which the counterparty of the endorsements and guarantees and its amount are determined.
- III. The Company shall announce the previous month's endorsed/guaranteed balance for the Company and its subsidiaries before 10th of each month.
- IV. When the endorsements and guarantees made by the Company meet one of the following criterion, it shall be announced within 2 days from the date of occurrence of the facts:
 - (I) If the endorsed/guaranteed balance by the Company and its subsidiaries reaches 50% or more of the Company's net worth in the latest financial statement.
 - (II) The endorsed/guaranteed balance by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth in the latest financial statement.
 - (III) The balance of the endorsements and guarantees provided by the Company and its subsidiaries to a single enterprise reaches NT\$10

million or more, and the aggregate amount of the endorsements and guarantees, investment carrying amount adopted by the equity method and the balance of lending for such enterprise reaches 30% or more of the Company's net worth stated in the latest financial statement.

(IV) If the new endorsed/guaranteed amount by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% of the Company's net worth in the latest financial statement.

V. When the Company's subsidiary is not the domestic public company, such subsidiary's announced items stipulated in Sub-paragraph 4 of the preceding paragraph shall be conducted by the Company.

Article 11 Internal Audit

The Company's internal auditors shall, at least quarterly, audit the Operational Procedures for Endorsements and Guarantees and its implementation, and prepare the written records; in the event of any material violation, it shall be notified to the audit committee immediately.

Article 12 Controlling Procedure for Subsidiary's Endorsements and Guarantees

I. When the Company's subsidiary intends to endorse others or provide guarantees, the Company shall instruct such subsidiary to establish the "Operational Procedures for Endorsements and Guarantees" pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the FSC. Such procedure shall be submitted to its audit committee and/or its board of directors and/or its shareholders' meeting for resolution pursuant to the relevant regulations before implementation. The same shall apply to the amendment. The subsidiary shall be subject to the procedure established..

II. When the Company's subsidiary intends to endorse others or provide guarantees, it shall report to the Company for approval; the Company's finance department and the dedicated persons designated by the presidents shall specifically assess such endorsements and guarantees for its necessity, rationality, risk, the operational risk for the parent company and subsidiary as well as the impact on the financial position and the shareholders' rights and interests, then shall report to the president and chairperson for approval.

III. The finance department shall obtain the declaration detail statement for external endorsements/guarantees amount from each subsidiary before the 5th day of each month.

IV. The Company's internal auditor shall regularly audit the compliance of each subsidiary's "Operational Procedures for Endorsements and Guarantees" and make an audit report; after the funding and recommendations stated in the audit report are reported and reviewed, the internal auditor shall notify the subsidiaries who are required to be audited to make an improvement and shall regularly make the tracking reports to ensure that the appropriate improvement measures are taken by such subsidiary in time

Article 13 Penalty

Should the Company's managers and the persons in-charge conduct the endorsements and guarantees in violation of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the FSC or the Company's "Operational Procedures for Endorsements and Guarantees", they shall be punished according to the working rules of the Company.

Article 14 Other Matters

I. In the event of the changes in circumstances, the counterparty of the endorsements and guarantees by the Company does not conform with the regulation of this procedure or the amount exceeds the limit. The Company shall set up the improvement plans, submit the relevant improvement plans to the audit committee and complete the improvement according to the schedule.

II. The Company shall evaluate or recognize the contingent loss for the endorsements and guarantees, properly disclose the relevant information of the endorsements and guarantee in the financial report and provide the relevant information to the CPAs to perform the necessary audit procedures.

III. Pursuant to Article 165-1 of the Securities and Exchange Act, the foreign company (hereinafter referred to as the "foreign company") who engages in endorsing others or providing guarantees shall be subject to this procedure.

The foreign company who has no seal shall not be subject to the regulations of Article 9.

The foreign company's net worth stated in this procedure shall refer to the equity attributable to the shareholders of the parent company in the balance sheet.

Article 15 Supplementary to the Relevant Laws

The matters that are not covered in this procedure shall be subject to the

relevant laws.

Article 16 Announcement and Implementation

The establishment or amendment of this procedure shall be approved by one-half or more of all members of the audit committee and shall be reported to the board of director for resolution shall be approved by the board of directors, submitted to every supervisor and reported to the shareholders' meeting for resolution before implementation. Provided that a director expresses an objection which is recorded or included in the written statement, the Company shall submit its objection to every supervisor and report to the shareholders' meeting for discussion. The same shall apply to any amendments. For the establishment and amendment of this procedure under the discussion of the board of directors, the opinions of each independent director shall be fully taken into account, and their consent or the specific objections and the reasons for the objections shall be recorded into the board of directors meeting minutes.