

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, Endorsements and Guarantees by Public Companies* issued by the Securities and Futures Exchange Committee, Ministry of Finance (hereinafter called “the Securities & Futures Committee”) under order Tai Cai Zheng Liu Zi No. 0910161919 on 18th December 2002, 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.

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) The aforesaid subsidiary and parent are determined in accordance with of the Financial Account Standards Bulletins No. 5 and No. 7.

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 50 percent of the Company's current term's net value.
- (II) Total endorsement or guarantee provided for a single business beneficiary shall not exceed thirty percent of the Company's current term's net worth.
- (III) The chairman shall be authorised to approve endorsements or guarantees not exceeding ten percent of the Company's net worth.

Computation of "net worth" is based on the most recent financial statements audited and certified, or verified by the accountant. The board of directors shall present the status of endorsements and guarantees provided as well as any relevant matters at the shareholders' meeting for future reference.

V. Endorsement and Guarantee Procedures

- (I) When requesting for the Company's provision of endorsement and guarantee, the relevant enterprises shall furnish an official letter, 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 board of directors before execution.
- (III) 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, in accordance with the provisions under Financial Accounting Standards No. 9, 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. Criteria for Public Announcement

Where endorsement and guarantee provided by the Company reaches the following amount, announcement shall be made at the Market Observation Post System within two days after the occurrence thereof:

- (I) Total endorsement and guarantee amounts to more than fifty percent of the Company's net worth as stated in its latest financial statements.
- (II) Total endorsement and guarantee provided to a single company amounts to more than twenty percent of the Company's net worth as stated in its latest financial statements.
- (III) Total endorsement and guarantee provided to a single company amounts to more than ten million New Taiwan Dollars, and the amount provided for endorsement and guarantee, long-term investment and capital loans for the same company amounts to more than thirty percent of Company's net worth as stated in its latest financial statements.
- (IV) Endorsement and guarantee provided for a company as a result of business dealings results in a cumulative endorsement and guarantee amount exceeding the total business turnover in the most recent one year.
- (V) After the Company has made a public announcement in accordance with the foregoing Procedure VIII (I), (II), (III) & (IV) and in the event that the Company provides additional endorsement and guarantee for the same company, additional public announcement shall be made for every additional five percent of the

Company's net worth according to its most recent financial statement.

IX. Limitation and Details of Public Announcement

- (I) The Company shall, before the 10th day of every month, enter the endorsement and guarantee amount provided by it and its subsidiary in the previous month into the Market Observation Post System.
- (II) Where endorsement and guarantee provided by the Company reaches the following amount, announcement shall be made at the Market Observation Post System within two days after the occurrence thereof, in accordance with the following provisions:
 - 1. Where the endorsement and guarantee amount fits the criteria as provided under Procedure VIII (I), the following matters shall be announced:
 - (1) Where endorsement or guarantee amount provided by the Company reaches ten billion New Taiwan Dollars or five percent of the Company's net worth as stated in its latest financial statement, the beneficiary's company name, relationship with the Company, endorsement and guarantee amount, endorsement and guarantee amount and reasons for its provision as of the day of occurrence.
 - (2) As at the date of occurrence, the percentage of endorsement and guarantee amount to the Company's net worth as indicated in its latest financial statement.
 - 2. Where the amount of endorsement and guarantee provided for a single entity fits the criteria as provided in Procedure VIII (II), (III), (IV) and (V), the following items shall be announced:
 - (1) The beneficiary's company name, relationship with the Company, endorsement and guarantee limit, original endorsement and guarantee amount, amount and purpose of the current additional endorsement and guarantee amount.
 - (2) Details and value of security provided by the beneficiary of the endorsement and guarantee.
 - (3) Latest balance in capital and cumulative retained earnings of the beneficiary of the endorsement and guarantee.
 - (4) Condition or date for release of liability of endorsement and guarantee.
 - (5) As at the date of occurrence, the percentage of endorsement and guarantee amount to the Company's net worth as indicated in its latest financial

statement.

- (6) As at the date of occurrence, the percentage of endorsement and guarantee amount to the Company's total business turnover in the most recent year.
 - (7) As at the date of occurrence, the percentage of the sum of long-term investments, endorsement and guarantee amount and capital loan extended to the Company's net worth as indicated in its latest financial statement.
- (III) Information stated in the two preceding paragraphs for public announcement shall be copied to the Taiwan Stock Exchange Corporation or the GreTai Securities Market, Securities & Futures Institute and the Taipei and Kaohsiung Securities Associations.
- (IV) Where a subsidiary of the Company is not a domestic public-listed company and the said subsidiary befits the preceding paragraph's criteria for make public announcements in the Market Observation Post System, such public announcements shall be made by the Company. Computation of the ratio of the aforesaid subsidiary's endorsement and guarantee amount to net worth shall be based on the ratio of the aforesaid subsidiary's endorsement and guarantee amount to the Company's net worth.
- (V) In accordance with the provisions under Financial Accounting Standards No. 9, the Company shall assess or recognise the contingent losses, appropriately reveal such endorsement and guarantee information in its financial reports, and shall provide the relevant information for a certified public accountant to carry out the necessary review procedures.

X. 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.

XI. 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 10th day of the following month, and shall announce in public and forward copies as stipulated under the provisions of Procedure 9 hereof.

- (III) For foreign subsidiaries, public announcement under the provisions of Procedure IX (II) shall be made within 7 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 various supervisors.
- (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.

XII. 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 supervisors 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 various supervisors and 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 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. Where the Company has appointed independent directors, the opinions of such independent directors must be given full consideration during the aforesaid board of directors' deliberation, and the

agreement or opposition of which as well as the reasons for such opposition to be clearly documented in the board of directors' minutes of meeting.

XIII. 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.

XIV. Implementation and Amendment

Upon approval by the board of directors, these *Procedures* shall be submitted to the various supervisors and the shareholders' meeting for approval; where the directors oppose and where there are records or written statements, the Company shall forward such opposition to the various supervisors and propose for deliberation at the board of directors' meeting. The same applies for amendments.

Where the Company has appointed independent directors, and where this operating procedure is submitted for deliberation by the board of directors in accordance with the provision in the preceding paragraph, full consideration shall be given to the various independent directors, and opinions of their agreement or opposition as well as reasons for such opposition be clearly documented in the board of directors' minutes of meeting.