

Primax Electronics Ltd.

Procedures for Endorsements & Guarantees

I. Purpose

To standardize the company's endorsements/guarantees operations, enforce the monetary management of endorsements/guarantees and minimize business risks. Relevant regulations of such act shall prevail under the circumstance of any matters not mentioned herein.

II. Applicability

The term "endorsements/guarantees" as used in this document refers to the following:

- i. Financing endorsements/guarantees, including:
 1. Bill discount financing.
 2. Endorsement or guarantee made to meet the financing needs of another company.
 3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
- ii. Customs duty endorsements/guarantee: An endorsement or guarantee for the company itself or another company with respect to customs duty matters.
- iii. Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these rules.

III. Subject of Endorsements/Guarantees

Endorsements/guarantees may be made for the following companies:

- i. A company with which it does business.
- ii. A company in which the company directly and indirectly holds more than 50 percent of the voting shares.
- iii. A company that directly and indirectly holds more than 50 percent of the voting shares in the company.

Other companies in which the company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, the amount of which not exceeding 10% of the net worth of the company, provided that this restriction shall not apply to endorsements/guarantees made between companies when the company directly or indirectly holds 100 percent of the voting shares.

IV. Ceilings on the Amounts Made in Endorsements/Guarantees

The amount of endorsements/guarantees the company and subsidiaries as a whole are permitted to make must not exceed 80 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the accountant. The amount of endorsements/guarantees for any single entity must not exceed 30 percent of the net worth of the company according to its fiscal financial statement most recently ratified or reviewed by the account. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the company and subsidiaries as a whole reaches 50 percent or more of the net worth of the company

according to its fiscal financial statement most recently ratified or reviewed by the accountant, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.

The amount of endorsements/guarantees for any single entity due to business needs shall be regulated according to the rules aforementioned, whereas the amount of endorsements/guarantees shall be equivalent to the company's purchase amount or sales amount, whichever the higher the amount, of the most recent year's or the present fiscal year's until the time of the endorsements/guarantees taking place.

V. Procedures for Making Endorsements/Guarantees

- i. During the process of endorsements/guarantees applications, the finance department shall carefully evaluate the company's qualifications and amounts to ensure that it fully complies with the company's operational procedures and that all is in accordance with the announcing and reporting procedures. The company may loan funds to others only after the evaluation results have been submitted to the chairman for approval, followed by obtaining the approval of over half of the member of the Audit Committee, and then submitted and resolved upon by the board of directors. If approval from over half of the members of the Audit Committee is not obtained, it shall be approved of by over two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the endorsements/guarantees and related matters, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting. If the amount of the fund is in accordance with regulated amounts, the chairman shall proceed with authorization according to the other company's credit status and financial condition, followed by subsequent ratification by the board of directors.
- ii. Before making any endorsements/guarantees, a subsidiary in which the company directly or indirectly holds 90 percent or more of the voting shares shall submit the proposed endorsement/guarantee to the Audit Committee and the company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the company directly or indirectly holds 100 percent of the voting shares.
- iii. The finance department shall prepare a memorandum book for its fund-lending activities. After being granted approval of the memorandum book by its board of directors or by its chairman, a corporate chop must be applied for according to regulated procedures, and the following information must be truthfully recorded: borrower, amount, date of approval by the board of directors or by the chairman, lending/borrowing date, and matters to be carefully evaluated according to the company's operational procedures. All relevant bills, agreements, and other documents shall be photocopied and kept in secure custody.
- iv. The company's internal auditors shall audit the endorsements/guarantees operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all Audit Committee in writing of any

material violation found.

- v. The finance department shall create, track and control a detailed list for the company's occurred or cancelled guaranteed items by the month, and apply for announcing and reporting. The accounting department shall evaluate and record any contingent losses for endorsement/guarantee no less frequently than quarterly, adequately disclose information on endorsement/guarantee in the financial reports, and provide certified public accountants with relevant information for implementation of necessary audit procedures.
- vi. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the operational procedures or the loan balance exceeds the limit, the company's finance department shall adopt rectification plans, have the chairman complete the rectification according to the timeframe set out in the plan, and submit the rectification plans to the Audit Committee.
- vii. Prior to the end of the endorsement/guarantee, the finance department shall initiate a notification to be sent to the entity for which the endorsement/ guarantee is made, informing it that bills of guarantee of banks or loan institutions are to be returned and that all related contract material of the endorsement/guarantee are to be cancelled.
- viii. If the subject of the endorsement/guarantee is a subsidiary with net worth lower than 50 percent of actual paid in capital, the company shall regularly review its operating status. If the subsidiary's operating status continually deteriorates or endorsement/guarantee risks may likely occur, the chairman must be promptly reported to and a rectification plan on lowering endorsement/guarantee risks shall be adopted. If the subsidiary's stock is of no-par value or does not exceed NT\$10, the amount of actual paid in capital shall be calculated in accordance with this policy of the sum of the premium issued share of its capital stock and additional paid in capital.

VI. Detailed Review Procedures:

During the process of endorsement/guarantee applications, the finance department shall carefully review, evaluate and record the following:

- i. The relationship between the company and its subject of endorsement/ guarantee, the purpose and uses of the loan, the relevancy of businesses in between the companies or the significance of its business operations to the company, along with the limit and current balance of the endorsement/ guarantee amount, to evaluate the necessity and reasonableness of the endorsement/guarantee.
- ii. The annual report and financial reports and other relevant data of the entity for which the endorsement/guarantee is made, to analyze the entity's business operations, financial status, credit status, and sources of repayment, etc. and determine the possible risks.
- iii. Analyze the ratio of the endorsement/guarantee balance within the company's net worth, its liquidity and cash flow situations, and the results of (i) and (ii), to evaluate the impact on the company's business operations, financial condition and shareholder' equity.
- iv. Based on the evaluation results of the nature of the loan and the entity's credit status from (i) to (iii), determine if appropriate security shall be requested of the entity, and evaluate the value of the security no less frequently than quarterly to ensure it is equivalent to the

endorsement/ guarantee amount, possibly requesting for additional security from the entity when it is deemed necessary.

VII. Control Procedures for Endorsements/Guarantees of the Subsidiary

- i. If the subsidiary of the company is to make endorsements/guarantees to others, operational procedures must be in place and in accordance with said “Procedures for Endorsements & Guarantees”. This also applies to amendments of said operational procedures.
- ii. If the subsidiary of the company is to make endorsements/guarantees to others, it should submit written reports of the previous month’s endorsement/ guarantee balance, borrower, dates, etc. on the fifth day of each month to the parent company. The company’s auditors shall list the subsidiary’s endorsement/guarantee matters as quarterly auditing items and the status of the audits shall be reported to the board of directors and the Audit Committee.

VIII. Hierarchy of Decision-Making Authority and Delegation

- i. Upon an endorsement/guarantee being made by the company, authorization shall be made in accordance with V. Procedures for making endorsements/ guarantees of operating procedures. To be in accordance with the limitation period, as stated in IV. If the aggregate amount of endorsement/guarantees that is set as the ceiling for the company and its subsidiaries as a whole shall not exceed 50 percent or more of the endorsement/guarantee limit and also the limit set out towards any single entity, the board of directors shall authorize the chairman to grant approval followed by subsequent ratification by the board of directors.
- ii. Where the company needs to exceed the limits set out in the operational procedures for endorsements/guarantees to satisfy its business requirements, and where the conditions set out in the operational procedures for endorsements/guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/ guarantee. It shall also amend to the shareholders’ meeting for ratification after the fact. If the shareholders’ meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.

IX. Custody of Corporate Chop and Relevant Procedures

- i. The company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of the stock service agent and the chairman’s office approved by the board of directors. The change of the custodian of the chop shall be approved by the board of directors prior to the transfer of said corporate chop.
- ii. When making a guarantee for a foreign company, the company shall have the Guarantee Agreement signed by the chairman or general manager or vice president of finance that is approved by the board of directors.

X. Announce and Report Procedures

These regulations shall be enforced from the date of promulgation.

- i. The finance department shall announce and report the previous month’s loan balances of its head office and subsidiaries by the tenth day of each month in accordance with the regulated

timeframe.

- ii. The finance department of the company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 1. The aggregate balance of endorsements/guarantees to others by the company and subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest fiscal financial statement.
 2. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest fiscal financial statement.
 3. The aggregate balance of endorsements/guarantees by the company and subsidiaries to a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, invested book amount per the equity method in, and balance of loans to, such enterprise reaches 30 percent or more of the company's net worth as stated in its latest fiscal financial statement.
 4. The amount of new endorsements/guarantees made by the company or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement.
- iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its balance of endorsements/guarantees reaches the standards of announce and report as stated in the operational procedures prior to the occurrence of the fact, and the company shall announce and report pursuant to regulations at the designated website.

The term "occurrence of the fact" as used in the operational procedures refers to the contract day upon date of signature, or the payment date, or the date designated by the board of directors, or the date of confirmed counterparty or amount of the endorsement/guarantee, whichever the earlier date prevails.

XI. Penal Provisions

Upon the violation of the Securities and Futures Bureau's Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies by the relevant representing agent of the company's endorsements/guarantees, penalties shall be imposed according to the condition of violation as regulated by the following:

- i. Violation of appraisal authorization: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- ii. Violation of review procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- iii. Violation of announce and report procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings. Repeated violators or gross violators

shall be relocated.

- iv. Penalties shall be imposed to and accepted by the supervisor of the violator provided that said supervisor fails to provide a reasonable explanation detailing that precautions were made.
- v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the Audit Committee shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.

XII. Supplemental Items

The Procedures for Endorsements & Guarantees are resolved by the board of directors and submitted for approved of by the shareholders. The modifications of the operational procedures shall be approved of by over half of the members of the Audit Committee, submitted to the board of directors for resolution and reported to the shareholders' for subsequent approval prior to implementation. If approval from over half of the members of the Audit Committee as aforementioned is not obtained, it shall be approved of by over two-thirds of the board of directions, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.

The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations towards the amendment of said operational procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.

XIII. This corporate document was created on 2008/11/7.

First-time amendment were made on 2009/6/4.

Second-time amendment were made on 2009/11/20.

Third-time amendment were made on 2010/6/25.

Fourth-time Amendment were made on 2013/6/25.

Fifth-time Amendment were made on 2015/6/29.

Sixth-time amendments were made on 2019/6/18.