

# CHC Resources Corporation

## Procedures for Endorsement/Guarantee

Established on June 22, 1993  
The 2nd amendment was made on June 21, 2019

### Chapter 1. General

Article 1 These Procedures were established according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the "Regulations") promulgated by the Financial Supervisory Committee (the "FSC").

Article 2 The term "endorsements/guarantees" as used in these Procedures refers to the following:

- I. Financing endorsements/guarantees, including:
  - (I) Bill discount financing.
  - (II) Endorsement or guarantee made to meet the financing needs of another company.
  - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
- II. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company or another company with respect to customs duty matters.
- III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation of a pledge or mortgage on the Company's movable or property as security for the loans of another company shall also comply with these Procedures.

Article 3 The Company may make endorsements/guarantees for the following companies:

- I. A company with which it does business.
- II. A subsidiary in which the Company, directly and indirectly, holds more than 50 percent of the voting shares.
- III. A parent company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

Where the Company fulfills the contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing Shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraphs. However, the Company may not be held jointly responsible for the guarantee assumed by other Shareholders.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100 percent of the voting shares.

Article 4 The definition of other terms used in the Procedures are as follow:

- I. Announce and report: Refers to the process of entering data to the information reporting website designated by the FSC.
- II. Date of occurrence: Refers to the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.
- III. Subsidiary and parent company: Recognize according to the requirements under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
- IV. Net value of the Company: Refers to the equity attributable to the owners of the Company stating in the latest balance sheet prepared according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
- V. All Audit Committee members: Refers to the actual number of persons currently serving in the Audit Committee.
- VI. All Directors: Refers to the actual number of persons currently serving as Directors.

## Chapter 2. Operating Procedures

Article 5 The Company's total amount of external endorsements/guarantees and the ceiling on its endorsements/guarantees for any single entity are as follows:

- I. The total amount of external endorsements/guarantees shall not exceed 50% of the net value of the Company.
- II. Amount of endorsements/guarantees for any single entity:
  - (I) Where an endorsement/guarantee is made due to needs arising from business dealings, the amount shall not exceed 30% of the business dealings in the latest year or 100% of the business dealings within the last three months, whichever the higher, between the guaranteed company and the Company, and shall not exceed one-third of the net value of the Company.
  - (II) Where an endorsement/guarantee is made to a parent company or a subsidiary of the Company, the amount shall not exceed the investment or invested ratio of the Company, and shall not exceed one-third of the net value of the Company.

(III) Where mutual endorsements/guarantees are made for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where endorsements/guarantees are made for all capital contributing Shareholders make regarding their jointly invested company in proportion to their shareholding percentages, the amount shall not exceed one-tenth of the net value of the Company.

The Company and its subsidiaries' total amount of external endorsements/guarantees and the ceiling on its endorsements/guarantees for any single entity shall be subject to the same as the Company.

The "net value" shall be subject to the amount stated in the financial statements of the for the most recent period certified or reviewed by a CPA.

Article 6 The Company shall evaluate the following matters in advance for events of endorsements/guarantees:

- I. The necessity of and reasonableness of endorsements/guarantees.
- II. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
- III. The impact on the Company's business operations, financial condition, and Shareholders' equity.
- IV. Whether collateral must be obtained and appraisal of the value thereof.

Article 6-1 For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-up capital, except for performing detailed review according to paragraphs in Article 6, relevant follow-up control measures shall be prescribed to control possible risks of the endorsement/guarantee.

In the case of a subsidiary with stocks having no par value or a par value other than NT\$10, the paid-up capital calculated under the preceding paragraph shall be the sum of the share capital plus capital surplus - issue premium.

Article 7 Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Procedures and the FSC's Regulations. The Company shall make an endorsement/guarantee only after the evaluation results under Article 6 have been submitted to the Audit Committee for approval and resolved upon by the Board of Directors. However, when necessary, the Board may authorize the Chairman to make decisions on external endorsements/guarantees within the ceiling of NT\$20,000,000. Such decisions shall subsequently be submitted to the Audit Committee for approval and ratified by the next Board meeting.

Where approval by more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented when

approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.

Article 8 The Company shall use the corporate seal registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop and relevant instruments shall be kept in the custody of a designated person assigned by the Chairman upon the authorization of the Board of Directors. The chop may not be used to seal or issue instruments without being passed by the Board meeting or authorized by the Chairman according to the procedures set out in Article 7. When making a guarantee for an overseas company, the Company shall have the letter of guarantee signed by the Chairman or a person authorized by the Board of Directors.

Article 9 The Finance Department of the Company shall prepare a memorandum book and record in detail the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under Article 6.

Article 10 The Company's internal auditors shall audit the Procedures for Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

Article 11 As a result of changes of condition, the entity for which an endorsement/guarantee is made no longer meets the requirements of these Procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall establish improvement plans and submit the improvement plans to the Audit Committee, and complete the improvement according to the timeframe set out in the plan.

### Chapter 3. Public Disclosure of Information

Article 12 The Company shall announce and report the balances of endorsements/guarantees for the previous month of the Company and its subsidiaries by the 10th day of each month.

The Company whose balances of endorsements/guarantees reach one of the standards set out in Paragraph 1 of Article 25 under the FSC's Regulations shall announce and report such event within two days commencing immediately from the date of occurrence.

For a subsidiary that is not a domestic public company with matters to be publicly announced and reported required by the FSC's Regulations, the Company shall be responsible for the announcement and report.

Article 13 The Company shall evaluate or record the contingent loss for

endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide relevant information to CPAs for the implementation of necessary audit procedures.

#### Chapter 4. Appendix

- Article 14 Where the Company intends to provide endorsements or guarantees to others due to business needs, the respective Procedures for Endorsement/Guarantee shall be established according to the FSC's Regulations for domestic public companies, and endorsements or guarantees shall be subject to the procedures so established; the respective Procedures for Endorsement/Guarantee shall be established according to these Procedures for non-domestic public companies, and endorsements or guarantees shall be subject to the procedures so established.
- Article 15 Directors and Supervisors of subsidiaries assigned by the Company shall supervise subsidiaries to duly implement the Procedures for Endorsement/Guarantee. Regarding the appropriateness of subsidiaries' Procedures for Endorsement/Guarantee, a domestic public company's subsidiary shall submit the audit report prepared by its internal audit personnel to the Company; for a subsidiary that is not a domestic public company, the Company may assign its internal auditors or instruct the subsidiary to engage external auditors to conduct a project audit in due course.
- Article 16 For managers and organizing personnel of the Company violating the requirements of the Procedures and resulting in significant losses of the Company, punishments shall be imposed based on the severity of the circumstances according to the Company's "Regulations for Rewards and Punishments of Practitioners."
- Article 17 For unaddressed matters in the Procedures, comply with the requirements under the relevant laws and regulations, and the FSC's Regulations.
- Article 18 These Procedures, and any amendments hereto, shall be implemented after being approved at the Board meeting and submitted to the Shareholders' Meeting for approval. Where a Director expresses dissent with records or written statement made, and any amendments hereto, the Company shall submit such dissent to the Audit Committee and report to the Shareholders' meeting for discussion. The amendments to the Procedures shall have more than half of consents from all Audit Committee members before submitting to the Board of Directors for resolution, Where approval by more than half of all Audit Committee members is not obtained, the amendments may be implemented when approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.