

Chicony Power Technology Co., Ltd.

Rules Governing Endorsement and Guarantee

1. All external endorsement/guarantee issues of the Company and a company in which the Company holds over 50% of the voting powers either directly or indirectly (hereinafter referred to as a “subsidiary”) shall be put into enforcement in accordance with the Rules.
2. The term “endorsements/guarantees” as used in the Rules including financing endorsements/guarantees, customs duty endorsement/guarantee and other endorsements/guarantees. The term “financing endorsements/guarantees”, meaning bill discount financing, endorsement or guarantee made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company or the subsidiary. “Customs duty endorsement/guarantee”, meaning an endorsement or guarantee for the Company, the subsidiary or another company with respect to customs duty matters. “Other endorsements/guarantees”, meaning endorsements or guarantees beyond the scope in the preceding two paragraphs. Any creation by the Company or the subsidiary of a pledge or mortgage on chattel or real property, or other endorsements or guarantees as security for the loans of another company shall also comply with the Rules.
3. The targets and conditions of endorsements/guarantees to be conducted under the Rules are enumerated below:
 - (1) Lending by and between the Company and its subsidiaries.
 - (2) The business transactions between subsidiaries.
 - (3) Where a subsidiary conducts endorsements/guarantees for the subsidiary.
 - (4) The Company directly and indirectly holds more than 90 percent of the voting shares.
 - (5) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

For endorsements/guarantees mentioned in the preceding paragraph, collateral shall be acquired where necessary.

4. The aggregate total of endorsements/guarantees granted by the Company shall not exceed 49% of the net worth as shown through the Company’s latest financial statements certified or audited by Certified Public Accountant(s). Besides, the amount of endorsements/guarantees granted to a single enterprise shall not exceed 80% of the total limit of endorsements/guarantees.

The aggregate total of endorsements/guarantees granted by a subsidiary shall not exceed the net worth as shown through the subsidiary’s latest financial statements certified or audited by Certified Public Accountant(s) and the guarantee amount granted to a single enterprise shall not exceed 50% of the total quota of endorsements/guarantees.

The aggregate total of endorsements/guarantees granted by the Company and the subsidiary(ies) shall not exceed 49% of the net worth as shown through the Company’s latest financial statements certified or audited by Certified Public Accountant(s). Besides, the amount of endorsements/guarantees granted to a single enterprise shall not exceed 80% of the total limit of endorsements/guarantees.

In case of endorsements/guarantees granted as a result of business transaction, other than the restrictions set forth under three preceding paragraphs, the amount of endorsements/guarantees granted to a single enterprise shall not exceed the actual input or output transaction amounts of that single enterprise and the guarantee company over the past one year, whichever is the higher.

The endorsements/guarantees rendered by and among the companies where the Company holds over 90% of the voting powers shall not exceed 10% of the net worth as shown through the Company’s latest financial statements certified or audited by Certified Public Accountant(s). The endorsements/guarantees by and among the companies where the Company holds 100% voting powers either directly or indirectly are, nevertheless, free of such restriction.

Where the Company or a subsidiary hereof grants endorsements/guarantees to a company in which the net worth is below one-half of the paid-in capital, other than the restrictions set forth under the preceding five paragraphs, the amount of endorsements/guarantees granted by the Company and the subsidiary shall not exceed the net worth as shown through the latest financial statements audited or certified by the Certified Public Accountant(s).

Where a subsidiary has its share certificates without face amount or has its par share amount not in NT\$10 per share, the paid-in capital calculated in accordance with the preceding paragraph shall be calculated with the total of the capital plus capital reserve-share premium.

Where the financial statements of the Company or the subsidiary are worked out in accordance with the

International Financial Reporting Standards (IFRS) instead, the term net worth as set forth under the Rules refers to the equity attributable to owners as per Balance Sheet as defined under the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

5. Where the Company or a subsidiary hereof grants endorsements/guarantees, the department-in-charge shall fill up the application for guarantee and provide the necessary financial data and apply to the Department of Finance for credit line of endorsements/guarantees.

The Department of Finance shall conduct evaluation and credit investigation toward the application for endorsements/guarantees, cause required for guarantee, the maximum amount of the endorsements/guarantees, duration of guarantee, conditions of guarantee, necessity, rationality and potential risks for the endorsements/guarantees and shall further evaluate the Company’s operating risks, financial conditions and shareholders’ equity before submitting a report to the board of directors for approval before handling accordingly. The Company’s chairman is entitled to grant and approve the endorsements/guarantees case within the limit of 30% of the net worth as shown through the Company’s or the subsidiary’s latest financial statements certified or audited by Certified Public Accountant(s) first before reporting the issue to the latest board of directors meeting for approval retrospectively.

Where the Company or a subsidiary hereof grants endorsements/guarantees to a company in which the net worth is below one-half of its paid-in capital, the duration shall not exceed one year and the endorsements/guarantees shall not be granted until the issue is reported to and approved by the Company’s board of directors. After the Company’s board of directors approves through its decision of the endorsements/guarantees, the Company’s Department of Finance shall assess the financial conditions, set up countermeasures and report to the latest board of directors meeting for approval after closure of every quarter.

In case of endorsements/guarantees by and among companies which the Company holds voting more than 90% of voting powers either directly or indirectly, the endorsements/guarantees shall not be granted until the issue is submitted to and approved by the board of directors. The endorsements/guarantees by and among the companies where the Company holds 100% voting powers either directly or indirectly are, nevertheless, free of such restriction.

Where the position of independent director has been created of the Company or the subsidiary, when endorsement or guarantee for others, shall take into full consideration each independent director’s opinions, the opinions and reasons they agree to or object to about any matter, shall be recorded in the minutes of the board of directors meeting.

6. The Departments of Finance of the Company or the subsidiaries shall enter in details the endorsement guarantee objects, amounts, natures, dates as resolved by the board of directors, dates of endorsement and the evaluation findings as Paragraph 2, Articles 5, into the reporting book and shall promulgate and declare the same exactly in accordance with the requirements of the competent authorities of the government.
7. The Company and its domestic subsidiary(ies) shall take the Company seals used for application to the Ministry of Economic Affairs for incorporation registration as the special seals for endorsements/guarantees. The Company’s registered impression specimen seal(s) shall be put into custody and use in accordance with the Company’s regulations.

Where the Company conducts guarantee acts for an overseas company, the letter of guarantee issued by the Company shall be duly signed by the signatory authorized by the board of directors.

8. The Company or its subsidiaries shall evaluate or recognize the loss contingency and shall have the information of endorsements/guarantees duly disclosed in the financial statements and shall provide the relevant information to the certifying Certified Public Accountant(s) for audit as necessary.
9. In case of a change in the situation in the Company or the subsidiary where a endorsement and guarantee object becomes inconsistent with requirements or where the amount of the loan exceeds the maximum limit, the Company or the subsidiary shall work out remedial plan and submit it to the board of directors for corrective action at the scheduled timeframe and shall submit the remedial plan to audit committee or supervisors.
10. Where a manager and a person-in-charge of the Company or the subsidiary is found in contravention of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the Financial Supervisory Commission or procedure for endorsement/guarantee under the Rules in granting loan to another, the case shall be reported to the board of directors for approval for penalty. In case of a significant fault which leads to a huge impairment to the Company, such manager or person-in-charge of the Company or the subsidiary shall be referred to prosecution according to law.
11. Where a subsidiary intends to grant endorsements/guarantees externally in response to business need, that subsidiary shall duly work out the “Regulations Governing Enforcement of

Endorsements/Guarantees” in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the Financial Supervisory Commission and these Enforcement Rules. Such “Regulations Governing Enforcement of Endorsements/Guarantees” shall be, after being submitted to and approved by the board of directors, submitted to the supervisors and to the shareholder’s meeting for approval. This same provision is applicable mutatis mutandis to an event of amendment.

Where endorsement/guarantee, the subsidiary shall submit the relevant information and data to the Company and shall take reference to the opinions from the highest supervisor in charge in the Company’s Financial Center before endorsement/guarantee.

All subsidiaries of the Company shall report to the Company about performance in endorsement/guarantee on a regular basis.

12. The Company’s internal auditors shall audit the Procedures for endorsement and guarantee and the implementation thereof on a quarterly basis as the minimum, work out records in writing and shall keep audit committee informed in writing forthwith in case of a significant offense.

13. Where the Company or the subsidiary submits the contents of the Rules to the board of directors for discussion upon enactment or amendment, in the event that a director objects with record or declaration in writing, the data of the director’s objection shall be referred to audit committee or all supervisors. Where the Company or a subsidiary submits a matter to the board of directors for discussion pursuant to the preceding paragraph after the Company or subsidiary establishes independent directors, the Company shall take adequate account of the opinions offered by the independent directors and shall expressly remark such onto the minutes of the board of director meeting.

After the Company or a subsidiary hereof sets up the audit committee where the handling procedures for major endorsements/guarantees case or other law issues are subject to a pass through the audit committee, all such issues shall be subject to consent by one-half members of the audit committee and shall be duly resolved in the board of directors. **Any matter that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.**

14. The Rules shall be put into enforcement after being agreed by the audit committee, resolved in the board of directors and submitted to the shareholders’ meeting for endorsement. This same provision is applicable mutatis mutandis to an event of an amendment.

Any matter under the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The number of “all audit committee and all directors” of the Rules, shall be counted as the number of audit committee and directors then actually in office.