

Voltronic Power Technology Corp.
Procedures in Endorsement and Guarantee Operations

Chapter I General Provisions

Article 1 These “Procedures in Endorsement and Guarantee Operations”(hereinafter referred to as the Operating Procedures) are duly enacted by the Company in accordance with Article 36~1 of the Securities and Exchange Act and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the competent authority (hereinafter referred to as Handling Regulations) ,.

Article 2 Whenever the Company renders endorsement or provides guarantee for another party, the Company shall duly handle in accordance with the Handling Regulations of the competent authority and the Operating Procedures unless otherwise prescribed in other laws and ordinances concerned or the Company’s internal control system which shall prevail, if any.

Article 3 The term “endorsement and guarantee” as set forth in the Operating Procedures denotes the facts enumerated below:

1. Financing endorsement and guarantee, including:
 - (1) Third-party checks discount financing
 - (2) The endorsement or guarantee rendered for the purposes of financing for another company.
 - (3) Where the Company issues negotiable instruments to function as the guarantee for a non-financing enterprise for the purposes of financing for the Company.
2. The tariff endorsement and guarantee, as the endorsement or guarantee rendered by the Company for another company for the purposes of tariffs.
3. Other endorsement and guarantee, as the endorsement or guarantee which could not be classified under the two preceding paragraphs.

Where the Company provides movable properties or real estate to another company for establishment of pledge rights, mortgage, the Company shall duly act in accordance with the Operating Procedures as well.

Article 4 The Company may render endorsement and guarantee to companies as defined below:

1. The companies in business transaction with the Company.
2. The companies where the Company holds over 50% of the voting powers either directly or indirectly.
3. The companies that hold over 50% of the voting powers the Company either directly or indirectly.

The endorsement and guarantee may be rendered by and among the companies where the Company holds over 90% of the voting powers either directly or indirectly and the amount of the endorsement and guarantee so rendered shall not exceed 10% of the Company’s net worth as shown through the Company’s financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant except the endorsement and guarantee rendered by and among the companies where the Company holds 100% voting powers either directly or indirectly. In such events, nevertheless, the aggregate total and the amount of a single endorsement and guarantee

case over a single enterprise where the highest parent company of the Group holds 100% voting power shall still be subject to the provisions over the 100% subsidiaries as set forth under Articles 8 and 9 Procedures in Endorsement and Guarantee Operations.

Where the Company is in inter-guarantee with horizontal trades or with the joint builders (proprietors) in accordance with the agreements/contracts concerned in line with a need to undertake engineering projects, or renders endorsement and guarantee to the investees *pro rata* through the joint investors due to joint investment relationship or renders performance of the Agreement guarantee for pre-construction sales programs with horizontal trades in accordance with the Consumer Protection Act, the Company is entitled to render endorsement and guarantee, free of the restrictions set forth under the two preceding paragraphs.

The ratios of shareholding with voting powers held either directly or indirectly as set forth under Subparagraphs 2 and 3 of the Paragraph 1 shall be calculated based on the ratio of the shares directly held by the Company along with the shares of the same investees held by other companies where the Company holds over 50% of the shareholding. The term “other companies” as set forth herein includes the other company itself along with another company that invests and holds shareholding over 50% either directly or indirectly, and so forth.

The term “investment” as set forth in Paragraph 3 denotes the investment by the Company directly by itself or through companies where the Company holds 100% voting powers.

Article 5 The terms “subsidiaries and parent company” as set forth in these Operating Procedures shall be duly defined in accordance with the provisions set forth under the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Where the Company prepares financial statements in accordance with the International Financial Reporting Standards (IFRS), the term “net worth” as set forth in the Operating Procedures shall denote the equity attributable to owners attributed to the Company pursuant to the Balance Sheet duly pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”

Article 6 The term “declaration for promulgation” as set forth in the Operating Procedures denotes input into the information declaration website as designated by the competent authority.

Chapter II The credit limit of endorsement and guarantee

Article 7 Where the Company engages in endorsement and guarantee as a result of business transaction, the amount of the endorsement and guarantee shall be commensurate with the amounts of business transaction by and between both parties.

The amount set forth under the preceding paragraph shall be evaluated based on the amount of business transaction by and between the endorsement and guarantee beneficiary and the Company within the preceding twelve (12) month. The term “amount of business transaction” as set forth herein denotes the total purchase or sales by and between the Company and the endorsement and guarantee beneficiary, whichever is the higher.

Article 8 The Company shall be subject to the following restrictions when rendering endorsement and guarantee:

1. The aggregate total of endorsement and guarantee rendered by the Company externally shall be below the maximum limit of 50% of the Company’s net worth as shown through the Company’s financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant.

2. The aggregate total of endorsement and guarantee rendered by the Company to a single enterprise shall not exceed 20% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant.

Article 9 The Company and the subsidiaries shall be subject to the following restrictions in the overall credit lines:

1. The aggregate total of endorsement and guarantee so rendered externally shall not exceed the maximum limit of 50% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant.
2. The aggregate total of endorsement and guarantee rendered by the Company to a single enterprise shall not exceed 20% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant.

In the event that the Company or a subsidiary provides the terms that the aggregate total of endorsement and guarantee rendered externally may exceed 50% of the Company's net worth, the Company or a subsidiary shall explain the indispensability and rationality in its shareholders' meeting.

Article 10 Where the Company is in substantial need in business and, as a result, the endorsement or guarantee exceeds the limit set forth under the Procedures in Endorsement and Guarantee Operations and is consistent with the terms and conditions set forth under the Company's Procedures in Endorsement and Guarantee Operations, the Company shall obtain approval from the Board of Directors where a majority of the directors shall jointly guarantee the Company in their own names against the potential loss from the excess. Besides, the Company shall amend the Procedures in Endorsement and Guarantee Operations and submit the amendment to the shareholders' meeting for retrospective acknowledgement. In the event that the shareholders' meeting disagrees, the Company shall work out a plan to delete the part of excess within the specified time limit.

In the event that the Company has set up independent directors, the opinions of the independent directors shall be taken into adequate consideration where the issues set forth under the preceding paragraph are under discussion in the Board of Directors. Their opinions, pros and cons as well as their reasons shall be expressly entered into the minutes of the board of directors meeting.

Chapter III Procedures of handling

Article 11 The Company shall engage in endorsement and guarantee through the following procedures:

1. Procedures of application:
 - (1) Where the Company engages in endorsement and guarantee to meet its own need or requirements in business operation, the unit in such need shall prepare and submit the supporting documents to the Financial & Accounting, Departments for review in accordance with Article 12, work out review report for approval in accordance with Article 13 before the process for endorsement and guarantee.
 - (2) Where another company beyond the Company applies to the Company for endorsement and guarantee, the Financial & Accounting, Departments shall first check and verify the purposes behind, amount of endorsement and guarantee and obtain the supporting documents for review in accordance

with Article 12, work out review report for approval in accordance with Article 13 before the process for endorsement and guarantee.

2. Notification of endorsement and guarantee:

- (1) The Financial & Accounting, Departments shall, as soon as the application case is approved, notify the applicant company. Where the outcome of evaluation indicates a need to obtain collateralization, the Financial & Accounting, Departments shall check and verify that the applicant company has duly completed the collateral mortgage (pledge) procedures within the specified time limit before handing over the endorsement and guarantee agreement or guarantee negotiable instruments and such supporting documents to the registered seal custodian to affix seal or to issue negotiable instrument.
- (2) In the event that the outcome of credit investigation and evaluation indicates that the endorsement and guarantee applicant is faulty in credit standing and that Company should not grant endorsement and guarantee, the Financial & Accounting, Departments shall, after the final decision is approved, notify the applicant company with the reasons of courteous rejection.

3. Acquisition and custody of collateral:

- (1) Where the Company obtains collateral for endorsement and guarantee after due evaluation, the Company shall check and verify that the mortgage (pledge) for the collateral has been satisfactorily completed so as to firmly safeguard the Company's interests.
- (2) The collateral except land and negotiable securities shall be insured against fire risks, and vehicles, vessels shall be insured against all risks, with the insurance amount not be below the mortgage value of the collateral in principle. The insurance policy shall bear the Company's name as the beneficiary. The descriptions, quantities, location of storage of the collateral, terms and conditions of insurance and insurance rider shall be exactly consistent with the guarantee conditions approved by the Company. In case of a building in the collateral which has not been numbered for doorplate, the lot number and lot section issued by the government authorities shall be expressly remarked.
- (3) Financial & Accounting Departments The Financial & Accounting Departments shall notify and assure that the endorsement and guarantee targets should remain in continued insurance throughout the period of endorsement and guarantee and until the insurance period for the collateral expires.

4. Preparation and custody of the documents:

- (1) The Financial & Accounting Departments shall fill up credit investigation and review reports of all endorsement and guarantee cases. The contents of such reports shall include the names of the endorsement and guarantee targets, causes of application, purposes, objectives, case amounts, duration of endorsement and guarantee and results of evaluation conducted in accordance with Article 12 before the Financial & Accounting Departments apply for approval in accordance with Article 13.
- (2) Where the Company engages in endorsement and guarantee, the Company shall duly set up the memorandum book which shall bear in detail the

endorsement and guarantee targets, amounts, date where the board of directors approves the endorsement and guarantee or the chairman resolves, date of endorsement and guarantee, date of revocation and prudential evaluation in accordance with Article 12.

The Appendix(ces) annexed to the aforementioned reports shall be put into prudential archiving and custody.

5. The follow-up control measures after endorsement and guarantee, procedures upon expiry or revocation.
 - (1) Where an endorsement and guarantee case expires or is terminated, the Financial & Accounting Departments shall retrieve all endorsement and guarantee related documents from the endorsement and guarantee beneficiaries and shall affix thereupon “revoked” and shall enter the date of revocation and the relevant issues onto the memorandum book to complete the revocation process.
 - (2) In case of a change in situation where an endorsement and guarantee beneficiary of the Company becomes inconsistent with the requirements or amount limits under the Procedures, the corrective action plans shall be worked out and submitted to the Audit Committee and the corrective action shall be duly completed exactly as scheduled.
 - (3) In the event that an endorsement and guarantee beneficiary of the Company is a subsidiary with net worth below one-second of the paid-in capital, the follow-up control measures shall be duly handled in accordance with the following guides:
 - 1) Where the Company or a subsidiary renders endorsement and guarantee a subsidiary with net worth below one-second of the paid-in capital, the Company or a subsidiary shall conduct review and evaluation in detail in accordance with Article 12. Besides, the Financial & Accounting Departments shall team up with the relevant department(s) to evaluate the risk control and responsive plans, or shall order the subsidiary to work out and submit the plans to rectify financial conditions or business operation and shall follow-up the progress of rectification so as to dominate and control the potential risks of the endorsement and guarantee cases upon the Company.
 - 2) Where the Company or a subsidiary renders endorsement and guarantee a subsidiary whose net worth is not below one-second of the paid-in capital, but with change in the situation afterward while the subsidiary’s net worth falls below one-second of the paid-in capital thereafter, the Company shall duly work out the follow-up control measures and duly act according to such measures in accordance with the requirements as set forth under the preceding paragraph.
 - 3) In case of a subsidiary the share certificates of which show no face amount or show face amount not NT\$10 par value, the paid-in capital mentioned in the two preceding paragraphs shall be the aggregate total of the share capital added with capital reserve – Share premium account.

Article 12 Where the Company engages in endorsement and guarantee, the Company shall review the procedures below in detail:

1. Evaluation over the indispensability and rationality of endorsement and guarantee:
Whenever the Company is in need of endorsement and guarantee as a result of a need of its own business operation or management, or a firm beyond the Company applies to the Company for endorsement and guarantee, the Financial & Accounting Departments shall check and verify the purposes of endorsement and guarantee and evaluate the indispensability and rationality behind the application.

2. Credit investigation and evaluation over a beneficiary for endorsement and guarantee:

- (1) An applicant for endorsement and guarantee shall present the letter of approval from the Ministry of Education on the alteration and the alteration requirements, profit-seeking enterprise registration certificate, identity certificate of responsible person in photocopies (The aforementioned papers are not necessary in a case where the applicant is an affiliate inside the Group) and financial statements as necessary and shall apply to the Company in writing for endorsement and guarantee.

Where the Company decides to accept the application, the Financial & Accounting Departments shall conduct investigation, valuation over the business operation, financial conditions and purposes behind the endorsement and guarantee and further work out reports.

- (2) Where an endorsement and guarantee beneficiary of the Company applies for continued endorsement and guarantee, the Company shall conduct credit investigation on an annual basis in principle. In a significant case, nevertheless, the Company shall conduct credit investigation either on a regular basis or from time to time on a nonscheduled basis as the actual requirements may justify.

3. Evaluation over the operating risks, financial statements and shareholders' equity of the Company:

The Financial & Accounting Departments shall conduct a comprehensive evaluation over the causes behind application, purposes, case amounts, values of provided collateral, the latest financial conditions and business status of the endorsement and guarantee applicant so as to look into the operating risks, financial statements and shareholders' equity of the Company and shall work out report(s) accordingly.

4. Evaluation over whether collateral should be obtained and value of the collateral:

The Company may, as the actual requirements may justify, request an endorsement and guarantee applicant to provide commercial promissory note, movable properties or real estate to serve as collateral and shall conduct evaluation over the movable properties or real estate which are to be provided for mortgage beforehand.

In the event that a debtor intends to provide an individual or a company with sound credit standing to serve as the double guarantee instead of the collateral required in the preceding paragraph, the board of directors shall come to a decision based on the evaluation information and results submitted by the Financial & Accounting Departments.

The Financial & Accounting Departments shall work out records of the aforementioned evaluation results. In turn, the authorized management level shall come to the final decision based on the Article 13 of the Operating Procedures.

Article 13 The levels of authorization when the Company renders endorsement or provides guarantee for another:

1. Before the Company renders endorsements/guarantees to others, the Company shall prudentially assess whether the case satisfies the handling rules of the competent authority and these Operating Procedures. The case in package with the assessment result under Article XII proves an amount in excess of NT\$30 million, it shall be submitted to the Audit Committee to be resolved by all Audit Committee members through a one-second majority vote, it may be resolved by two-thirds majority vote of the aggregate total director seats. Where the amount is found below NT\$30 million, the case may be approved by the chairman as authorized by the board of directors before being submitted to the latest term of board of directors meeting for approval retrospectively.
2. In a case of endorsements/guarantees among subsidiaries where the Company holds up to 90% of the voting power shares and where the amount of endorsements/guarantees pst2 Paragraph 2, Article 4 exceeds NT\$30 million, it shall be resolved by all Audit Committee members through a one-second majority vote and be submitted to the board of directors for resolution. Where the case fails to pass the solution by all Audit Committee members through a one-second majority vote, it may be resolved by two-thirds majority vote of the aggregate total director seats; except endorsements/guarantees among the companies where the Company holds 100% voting power shares either directly or indirectly; Besides, the Company's chairman is authorized with full power to approve a case within the credit facility of NT\$30 million which shall be reported to the latest board of directors meeting for acknowledgement retroactively.
3. Where the Company has set independent directors, for a case of endorsement and guarantee to another, the Company shall take the opinions of the independent directors into adequate consideration and shall put their pros and cons and reasons of objection expressly into the minutes of the board of directors meeting.

Article 14 The procedures for use and custody of seals while the Company renders endorsement or provides guarantee for another:

1. The Company shall take the seal used to apply to the Ministry of Economic Affairs for registration as the seal for exclusive use of endorsement and guarantee. That special seal shall be put into custody by the *ad hoc* custodian who shall take charge of seal affixing and issuance of negotiable instruments in accordance with the Company's "Regulations Governing Custody of Registered Seals".
2. Where the Company renders guarantee to a foreign company, the letter of guarantee issued by the Company shall be duly signed by the person authorized by the board of directors.

Chapter IV The procedures of control over endorsement and guarantee to subsidiaries

Article 15 Where a subsidiary of the Company renders endorsement or provides guarantee for another, the Company shall conduct the following issues:

1. The Company shall order its subsidiary to enact the Procedures in Endorsement and Guarantee Operations in accordance with Handling Regulations of the competent authority and to submit them to the subsidiary's board of directors for a pass and to its shareholders' meeting for approval and to duly handle the endorsement and guarantee exactly accordingly.
2. The Company shall check and verify whether has duly conducted the endorsement and guarantee exactly in accordance with the Handling Regulations

of the competent authority, the “Procedures in Endorsement and Guarantee Operations” enacted by the Company and the subsidiary.

3. Whenever the subsidiary intends to engage in endorsement and guarantee, it shall first consult with the Company for opinions so as to satisfy the requirements as set forth under Paragraph 2, Article 4 and Article 9.
4. The subsidiary shall submit to the Company the memorandum book and detailed reports of endorsement and guarantee rendered to others on a monthly basis.

Chapter V Procedures for Public Announcement and Declaration

Article 16 The Company shall promulgate with public announcement the balances of endorsement and guarantee of the Company and its subsidiaries not later than the 10th day of every month.

Article 17 Whenever the endorsement and guarantee rendered by the Company reaches a situation falling within those enumerated below, the Company shall declare with a public announcement within two (2) days from the date of occurrence of the fact:

1. Where the balance of the total endorsement and guarantee rendered by the Company and its subsidiaries is over 50% of the Company’s net worth as shown through the latest financial statements.
2. Where the balance of the endorsement and guarantee rendered by the Company and its subsidiaries to a single enterprise is over 20% of the Company’s net worth as shown through the latest financial statements.
3. Where the balance of the endorsement and guarantee rendered by the Company and its subsidiaries to a single enterprise amounts to over NT\$10 million and where among the endorsement and guarantee, the aggregate total balance of long-term investment and lending of funds is over 30% of the Company’s net worth as shown through the latest financial statements.
4. Where the total of newly increased endorsement and guarantee rendered by the Company and its subsidiaries is over NT\$30 million and is over 5% of the Company’s net worth as shown through the latest financial statements.

Where a subsidiary of the Company is not a domestic listed company and where that subsidiary is required to declare with a public announcement in the present case Subparagraph 4 of the preceding paragraph, such declaration with public announcement shall be conducted by the Company instead.

The term “date of occurrence of the fact” as set forth in the first paragraph denotes the date while the transaction agreement is executed, date of payment, the date while the board of directors comes to the decision or other date to check and verify the transaction counterpart and amount of transaction, whichever is the earlier.

Chapter VI Supplementary provisions

Article 18 Audit

The Company’s internal auditors shall conduct the Procedures in Endorsement and Guarantee Operations and the implementation thereof on a quarterly basis as the minimum and shall work out records in writing and shall notify the Audit Committee in writing of a significant default, if any.

Article 19 The Company shall evaluate and acknowledge the contingent loss in the endorsement and guarantee and shall disclose endorsement and guarantee related information in its financial statements as appropriate and shall further provide the supporting data to the certifying Certified Public Accountant with necessary audit procedures.

Article 20 Penalty clauses

Whenever a managerial officer or an officer-in-charge of the Company is found in contravention of the Handling Regulations of the competent authority or the Operating Procedures, the competent department head or auditor shall report the facts of contravention to the general manager or the board of directors and the general manager or the board of directors shall impose penalty as appropriate to the relevant personnel as the actual situations may justify.

Article 21 These Operating Procedures shall be resolved by all Audit Committee members through a one-second majority vote and be submitted to the board of directors for resolution. Where the case fails to pass the solution by all Audit Committee members through a one-second majority vote, it may be resolved by two-thirds majority vote of the aggregate total director seats. These Procedures shall be submitted to the shareholders' meeting for consent after being resolved in the board of directors. In the event that a director objects and the objection is backed with records or documents, the objection shall be referred to the shareholders' meeting for discussion. This same provision is *mutatis mutandis* applicable to an event of an amendment.

Where the Company has set up the board of independent directors, where the Procedures in Endorsement and Guarantee Operations are submitted to the board of directors for discussion in accordance with the preceding paragraph, the opinions of the independent directors shall be taken into adequate consideration and their pros and cons, and reasons of objection shall be expressly put into the minutes of board of directors meeting.

Article 22 These Operating Procedures were enacted on June 11, 2012 and were duly amended on December 10, 2012 as the 1st amendment. Amended on May 24, 2016 as the 2nd amendment.

