

Emerging Display Technologies Corp. Rules for Making of Endorsements/Guarantees

Article 1

The Corporation follows relevant laws and regulations to make endorsements/guarantees for business purpose.

Article 2

The term “endorsements/guarantees” as used in these Rules refers to the following:

1. Financing endorsements/guarantees, including:
 - A. Bill discount financing.
 - B. Endorsement or guarantee made to meet the financing needs of another company.
 - C. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Corporation or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
4. Any creation by the Corporation of a pledge or mortgage on our chattel or real property as security for the loans of another company also complies with these Rules.

Article 3

The Corporation makes endorsements/guarantees only for the following companies:

1. A company with which the Corporation does business.
2. A company in which the Corporation directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Corporation.

Companies in which the Corporation holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Corporation, provided that this restriction does not apply to endorsements/guarantees made between companies in which the Corporation holds, directly or indirectly, 100% of the voting shares.

Where the Corporation fulfills our 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 two paragraphs.

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

Article 4

The maximum amount of endorsements/guarantees permitted to a company with which the Corporation does business shall be the total amount of trading between both parties. The term "total amount of trading" shall mean the higher amount within purchasing or selling by the Corporation.

The Corporation's aggregate endorsement/guarantee amount shall be 50% or less of the Corporation's net worth, and the amount of endorsements/guarantees for any single entity shall be 40% or less of the Corporation's net worth. The aggregate endorsement/guarantee amount shall be 50% or less of the Corporation's net worth, and the amount of endorsements/guarantees for any single entity shall be 40% or less of the Corporation's net worth, that the Corporation and our subsidiaries as a whole are permitted to make. The Corporation's net worth shall be in accordance with the latest financial statements audited by certified public accountants.

Article 5

The Corporation follows below procedures to makes endorsements/guarantees:

1. A company shall fill out "Application Form for Endorsements/Guarantees" which contains the entity, the type, the reason and the amount, then submit it to the Corporation's financial department to apply endorsements/guarantees. The application will be submitted to the Board of Directors for approval after reviewing, and the endorsements/guarantees will be made according to the resolution of Board of Directors. The endorsements/guarantees will also be made after approving by the chairman, then reported to the soonest meeting of the Board of Directors.

The review procedures include:

- A. The necessity of and reasonableness of endorsements/guarantees.
 - B. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
 - C. The impact on the Corporation's business operations, financial condition, and shareholders' equity.
 - D. Whether collateral must be obtained and appraisal of the value thereof.
2. The Corporation's financial department shall record endorsement/guarantee activities on "Record Sheet of Endorsements/Guarantees" and truthfully record the following information: the entity for which the endorsement/guarantee is made, amount, date of approval by the Board of Directors or of authorization by the chairman, date of making the endorsement/guarantee, date and amount of cancellation, balance of endorsement/guarantee, and the review procedures under the preceding paragraph.

3. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, or the amount of endorsement/guarantee exceeds the limit, the Corporation shall adopt rectification plans and submit the rectification plans to all the supervisors (or audit committee) and independent directors, and shall complete the rectification according to the timeframe set out in the plan.

Article 6

The Corporation’s internal auditors shall audit the operational procedures for endorsements/guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors (or audit committee) and independent directors in writing of any material violation found.

Article 7

1. The Corporation’s subsidiary intends to make endorsements/guarantees for others shall formulate its own operational procedures for endorsements/guarantees in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, and it shall comply with the procedures when making endorsements/guarantees.
2. The subsidiary shall report the previous month's status of endorsements/guarantees to the Corporation for summary by the 5th day of each month.
3. The status of endorsements/guarantees and relevant particulars of the Corporation and subsidiary in every business year shall be reported to the shareholders' meeting next year.

Article 8

1. The Corporation uses the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. Besides, the Corporation uses the cheque seal for issuing guarantee bill.
2. The Corporation shall designate a person to be responsible for the custody of the cheque seal, corporation chop, and guarantee bill. The procedure of sealing or issuing guarantee bill shall be in accordance with the Corporation’s regulations. The person who is responsible for the custody of chops shall be approved by the Boards of Directors, and the same procedure shall be followed when the person has been changed.
3. When making a guarantee for an overseas company, the Corporation shall have the guarantee agreement signed by a person authorized by the Board of Directors.

Article 9

1. The Corporation shall make an endorsement/guarantee only after reviewing and signing under Article 5, and resolved upon by the Board of Directors, or approved by the chairman, where empowered by the Board of Directors to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next Board of Directors' meeting. Also, the Corporation shall report the status of endorsements/guarantees and relevant particulars to the shareholders' meeting. Before making any endorsement/guarantee pursuant to Article 3, paragraph 2, a subsidiary in which the Corporation holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Board of Directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Corporation holds, directly or indirectly, 100% of the voting shares.
2. Where the Corporation needs to exceed the limits set out in Article 4 to satisfy business requirements, the Corporation 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 Corporation by the excess endorsement/guarantee. The Corporation shall also amend these Rules accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Corporation shall adopt a plan to discharge the amount in excess within a given time limit.

Article 10

1. The Corporation shall enter the previous month's balance of endorsements/guarantees of the Corporation and subsidiaries to the information reporting website designated by the competent authority by the 10th day of each month.
2. The Corporation whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 - A. The aggregate balance of endorsements/guarantees by the Corporation and subsidiaries reaches 50 percent or more of the Corporation's net worth as stated in the latest financial statement.
 - B. The balance of endorsements/guarantees by the Corporation and subsidiaries for a single enterprise reaches 20 percent or more of the Corporation's net worth as stated in the latest financial statement.
 - C. The balance of endorsements/guarantees by the Corporation and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of Corporation's net worth as stated in the latest financial statement.

D. The amount of new endorsements/guarantees made by the Corporation or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Corporation's net worth as stated in the latest financial statement.

The Corporation shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

"Date of occurrence" in these Rules means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.

Article 11

The Corporation's financial department shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in the financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

Article 12

Any violation of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or these Rules by managers and personnel in charge will be punished according to the Corporation's employee work rules.

Article 13

For circumstances in which an entity for which the Corporation makes any endorsement/guarantee is the subsidiary whose net worth is lower than half of its paid-in capital, follow-up net worth raising measures shall be proposed by itself. The Corporation shall frequently pay attention to the financial conditions, business activities, and relevant credit status of the subsidiary. In the case of the subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 14

After passage by the Board of Directors, the Corporation shall submit these Rules to each supervisor and for approval by the shareholders' meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Corporation shall submit the dissenting opinions to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to these Rules.

When the Corporation submits these Rules for discussion by the Board of Directors, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director expresses any dissent or reservation, it shall be specifically recorded in the minutes of the Board of Directors meeting.

After establishing an audit committee, when the Corporation adopts or amends these Rules, the amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the Board of Directors, and the provisions of the preceding paragraph shall not apply. If the approval of one-half or more of all audit committee members is not obtained, these Rules may be implemented if approved by 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 terms “all audit committee members” and “all directors” shall be counted as the actual number of persons currently holding those positions.

Article 15

In regard to all matters not provided for in these Rules, relevant laws and regulations shall govern.

Article 16

These Rules have been passed by the Board of Directors on May 8, 1998.

The first amendment was approved on June 18, 2003.

The second amendment was approved on June 8, 2006.

The third amendment was approved on June 10, 2009.

The fourth amendment was approved on June 16, 2011.

The fifth amendment was approved on June 7, 2013.

The sixth amendment was approved on June 12, 2020.