

# **Phihong Technology Co., Ltd.**

## **Operating Procedures of Endorsement/Guarantees**

### **I. Objectives**

In order to strengthen the financial management of endorsement/guarantees and reduce business risks, this operating procedure is formulated in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission.

### **II. The scope of assets**

The endorsement/guarantees referred to in these procedure include:

#### **1. Financing Endorsement/Guarantees:**

(1) Discount tickets financing.

(2) Endorsement/guarantees for the purpose of financing other companies.

(3) The creation of a separate instrument to secure a non-financial undertaking for the purpose of financing the Company.

2. Endorsement/guarantees Tariffs: It is an endorsement or guarantee made by the company or other companies related to customs matters.

3. Other endorsement/guarantees: endorsements/guarantees that cannot be categorized as part of the first two items.

If the Company provides movable or immovable property as security for loans from other companies to create pledges or mortgages, the Company shall also follow these procedures.

### **III. Target of Endorsement/Guarantees**

The Company's endorsements/guarantees shall be limited to the following companies, except for inter-industry guarantees provided by contractual interlocutors for the purpose of contracting for work, or inter-industry guarantees provided by the equity holders in proportion to their shareholding in the invested company as a result of joint investment, or inter-industry endorsement/guarantees for the performance of contracts for the sale of pre-sale properties in accordance with the Consumer Protection Act.

1. Companies with business dealings.

2. Subsidiaries in which the Company directly and indirectly holds more than 50% of the voting shares.

3. A parent company which directly and indirectly holds more than 50% of the voting shares of the company.

Endorsements/guarantees may be given between subsidiaries of the Company that directly and

indirectly hold 100 per cent of the voting shares.

#### IV. Amount of Endorsement/Guarantees

The total amount of the Company's external endorsement guarantee shall not exceed 100% of the Company's latest net financial statements and the amount of endorsement guarantee to a single enterprise shall not exceed 75% of the Company's latest net financial statements.

Subject to the approval of the Board of Directors, the amount of guarantees endorsed by the Company to subsidiaries directly and indirectly holding 100% of the voting shares shall not be subject to the aforementioned limit on the amount of guarantees endorsed to a single enterprise.

The total amount of external endorsements and guarantees by the company and its subsidiaries as a whole shall not exceed 100% of the net value of the company's latest financial statements, and the amount of endorsement and guarantees by the company as a whole for a single enterprise shall not exceed 30% of the Company's latest net financial statements.

If the aggregate amount of the endorsement/guarantees given by the Company and its subsidiaries to external parties amounts to more than 50% of the net worth of the Company's latest financial statements, a statement of the necessity and reasonableness thereof shall be submitted to the shareholders' meeting.

The amount of any endorsement/guarantees given by the Company to a single entity in connection with a business relationship shall, subject to the foregoing, be the higher of the amount of goods purchased or sold by the Company and such entity in the most recent or current year up to the time of the endorsement/guarantees.

#### V. Procedures of Endorsement/Guarantees

1. In processing the endorsement/ guarantees, the financial unit shall, based on the application of the target of the endorsement/guarantees, examine the eligibility of the target of the endorsement/guarantees, whether the amount of the endorsement/ guarantees complies with the provisions of the Procedures and whether it has reached the standards to be announced and reported, and shall submit the results of the examination and evaluation together with the results of the Procedures to the Chairman of the Board for approval, and then submit them to the audit committee and the Board for discussion and approval. If the amount of the endorsement/guarantees is still within the authorized limit, the Chairman of the Board shall make a decision based on the creditworthiness and financial situation of the target of the endorsement/guarantees, and then report to the audit committee and the Board for an afterwards follow-up afterwards.

The endorsement/guarantees by a subsidiary of the Company directly or indirectly holding 100% of the voting shares may only be made after a resolution by the Board of Directors of the subsidiary and subsequently ratified by the most recent audit committee and the Board of Directors.

2. The accounting unit shall establish a reference book for endorsement/guarantees matters. After the endorsement/guarantees has been approved by the Audit Committee and the Board of Directors or approved by the Chairman, in addition to applying for a seal in accordance

with the prescribed procedures, details of the subject of the endorsement/guarantees, the amount of the endorsement/guarantees, the date of approval by the Board of Directors or the Chairman's decision, the date of the endorsement/guarantees and any matters that should be carefully assessed in accordance with these Procedures shall be recorded for record, and relevant documents such as bills and agreements should also be photocopied for safekeeping.

3. The internal auditors shall audit the endorsement/guarantees procedures and their implementation on a quarterly basis and make a written record of such audits. If major violations are found, they should immediately notify the Independent Directors in writing.
4. The accounting unit shall evaluate and recognize the contingent loss of the endorsement/guarantees on a quarterly basis, and disclose the endorsement/guarantees information and provide relevant information of the certified accountant in the financial report.
5. In the event that the amount of the endorsement/guarantees is not in accordance with the regulations, or the amount of the endorsement/guarantees exceeds the limit due to a change in the basis for calculating the limit, the financial unit shall formulate an improvement plan for the amount of the endorsement/guarantee or the portion of the endorsement that exceeds the limit, and shall eliminate it within a certain period of time after approval by the Chairman of the Board of Directors, and send the relevant improvement plan to each Independent Director.
6. Before the end of the endorsement/guarantees date, the financial unit shall take the initiative to inform the guaranteed enterprise to withdraw the guaranteed instruments left with the bank or the creditor and cancel the relevant endorsement/guarantees deeds.

## VI. Detailed Review Process

In processing endorsement/guarantees, the Finance Department should review, assess and document the following items:

1. To understand the relationship between the counterpart to the endorsement/guarantees and the Company, the purpose and use of the loan, the relevance to the Company's business or the importance of its operations to the Company, and to assess the necessity and reasonableness of the endorsement/guarantees in relation to the limit and current balance of the endorsement/guarantees.
2. To obtain annual reports, financial reports and other relevant information from the counter parties to the endorsement/guarantees and analyze the operating, financial and credit conditions and repayment sources of the counter parties to the endorsement/guarantees in order to assess the possible risks.
3. To analyze the Company's current endorsement/guarantees balance as a percentage of the net worth of the Company, its liquidity and cash flow position, and the results of the review of 1 and 2 to assess the impact on the Company's operational risk, financial position and shareholders' equity.
4. Depending on the nature of the guarantee and the creditworthiness of the insured person and the results of the 1 to 3 assessments, the insured person will be asked to provide appropriate collateral and the value of the collateral will be assessed quarterly to see if it is equivalent to the balance of the endorsement/guarantees and, if necessary, the insured person may be asked

to provide additional collateral.

## VII. Endorsement/

### Guarantee Control Procedures for Subsidiaries

1. Subsidiaries of the Company shall also formulate the “Operating Procedures of Endorsement/Guarantees” in accordance with the “Guidelines for the Lending of Funds to Public Companies and Endorsement/Guarantees Practices” issued by the Financial Supervisory Commission, which shall be approved by the Audit Committee and the Board of Directors of the Company, and the same applies to any amendment thereto.
2. The acquisition or disposal of assets by the subsidiaries of the Company shall be handled in accordance with the “Internal Control System” and the Procedures for Acquisition or Disposal of Assets established by each subsidiary, and the subsidiaries shall report the balance, target and period of endorsement/guarantees for the previous month to the Company in a written summary by the 10th day of each month. The Company's auditing unit shall include the endorsement/guarantees operations of its subsidiaries as one of the items to be audited on a quarterly basis, and the audits shall be included as necessary for reporting the audited operations to the Audit Committee and the Board of Directors.
3. If a subsidiary of the Company is not a public company, and the assets acquired or disposed of meet the standard for public announcement and report as described in Paragraph 2 of this procedure, it shall notify the Company within the day when the event occurs, and the Company shall conduct the announcement and report on the website designated in accordance with the regulations.

## VIII. Decision-making and authorization levels

1. When the Company applies for an endorsement/guarantees, it shall be signed and approved by the Audit Committee and the Board of Directors in accordance with the procedures set out in these Procedures. However, in order to meet the need of time, within the total amount of NT\$100 million for a single enterprise, the Board of Directors authorizes the Chairman to make the decision first and then report to the nearest Audit Committee and the Board of Directors for subsequent ratification.

When the Company's acquisition or disposal of assets from/to a related party is submitted for discussion by the Board of Directors, the Board shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

2. If it is necessary for the Company to enter into an endorsement/guarantees in excess of the endorsement/guarantees limit set forth in these Procedures and the conditions set forth in the Company's endorsement/guarantees procedures are met, the Company may do so only with the approval of the Audit Committee and the Board of Directors and after more than half of the Directors have signed a joint guarantee for the potential loss incurred by the Company in excess of the limit, and may amend these Procedures and submit them to the shareholders' meeting for ratification. If the shareholders' meeting disagrees, a plan should

be made to eliminate the excess part within a certain period of time.

#### IX. Seal Custody and Procedures

1. The Company shall use the official seals of the Company, which have been registered with the Ministry of Economic Affairs, as the seals for the exclusive use of endorsement/guarantees and such seals shall be reported to the special staff approved by the Board of Directors for their respective custody. Any change in the custodian of the seal shall be reported to the Board of Directors for approval, and the seal shall be included in the transfer.
2. After any endorsement/guarantees have been resolved by the Board of Directors or approved by the Chairman of the Board, the financial unit shall complete a "Request for Use of Seal" form and submit it to the Treasurer for approval, together with the approval record and the documents for use of the seal, such as the endorsement/guarantees deed or the guarantee note, before the seal can be stamped by the seal custodian.
3. When using the seal, the seal custodian should check whether there is an approval record, whether the "Seal Use Register" has been approved by the Treasurer and whether the documents requesting the use of the seal are consistent before using the seal. The use of the seal should be noted in the register of the use of the seal.
4. In the case of an act of guarantee to a foreign company, the letter of guarantee issued by the Company shall be signed by the Chairman or the General Manager with the authority of the Board of Directors.

#### X. Public announcement and report procedure:

The Company will comply with the relevant regulations in respect of endorsements/guarantees that are required to be reported to the competent authorities.

If a subsidiary of the Company is not a domestic public company, the Company shall announce and report on its behalf the matters required to be announced and reported in accordance with the regulations.

#### XI. Penalties

When the relevant handling personnel involved in the Company's Endorsement/

Guarantees violate the the Financial Supervisory Commission's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the Procedures, the violation shall be handled in accordance with the following regulations depending on the circumstances. The violation will be recorded and used as a reference for the annual personal performance evaluation.

1. Violation of the decision-making authority: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning and participate obligatorily in the internal control system training classes. Repeat

violators or those with serious circumstances shall be transferred from the original job.

2. Violation of valuation procedures: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning and participate obligatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.
3. Violation of the public announcement and report: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning. Repeat violators or those with serious circumstances shall be transferred from the original job.
4. The supervisor of the person who has violated the rules shall also be punished, except for those who can reasonably explain that they have taken preventive measures beforehand.
5. Where the Board of Directors or directors violate relevant regulations and the resolutions of the shareholders' meeting when performing duties, the Audit Committee shall notify the Board of Directors or Directors to stop the violation in accordance with Article 218-2 of the Company Act.

## XII. Subsequent control Procedures for the provision of Endorsement/Guarantees for subsidiaries with a net worth of less than one-half of the paid-up capital

The Company or its subsidiaries may endorse/guarantee subsidiaries with a net worth of less than one-half of the paid-in capital. In addition to examining in detail the necessity and reasonableness of the endorsement/guarantee and the risk assessment of the object of the guarantee in accordance with Article 6, the Company may require the guaranteed subsidiary to provide appropriate collateral and assess on a quarterly basis whether the value of the collateral is equivalent to the balance of the endorsement/guarantees. If necessary, additional collateral may be required, and shall formulate a follow-up control plan and submit it to the Audit Committee and the Board of Directors for discussion and approval.

If the shares of a subsidiary have no par value or have a par value other than NT\$10 per share, the amount of paid-in capital shall be the sum of the capital stock plus capital surplus - issuance premium.

## XIII. Others Matters

After the establishment of the operating procedures is passed by the Audit Committee and the Board of Directors, and submitted to the shareholders' meeting for approval, it will be implemented. If any of the Directors disagree with the procedure and the disagreement is recorded or stated in writing, the Company shall send the disagreement to each Independent Director and submit it to the shareholders' meeting for discussion and amendment. The Company has established Independent Directors and the views of the independent directors should be fully taken into account in the discussion of the Board. Any dissenting views or reservations of the Independent Directors should be recorded in the minutes of the Board meeting.

XIV. This Procedure was adopted on May 11, 1990.

The 1st amendment was made on June 16, 1997.

The 2nd amendment was made on June 18, 1998.

The 3rd amendment was made on June 9, 2003.

The 4th amendment was made on June 9, 2006.

The 5th amendment was made on June 13, 2007.

The 6th amendment was made on June 13, 2008.

The 7th amendment was made on June 10, 2009.

The 8th amendment was made on June 15, 2010.

The 9th amendment was made on June 14, 2013.

The 10th amendment was made on June 8, 2016

The 11th amendment was made on June 19, 2019

The 12th amendment was made on June 9, 2023.

