

**Sinyi Realty Inc.**  
**Procedures for Endorsements and Guarantees**

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**Article 1**

In order to ensure financial stability and business development, Sinyi Realty Inc.(the “Company”) set forth the procedures for endorsements and guarantees(the “Procedures”) below in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies” announced by the securities regulatory authority.

**Article 2**

Endorsements and guarantees referred in these rules include:

1. Financial endorsements and guarantees.
  - a. Bill discount financing
  - b. Any endorsement or guarantee made to meet the financing need of other companies.
  - c. Issuance of a separate note to a non-financial enterprise as security to meet financing need of the Company.
2. Tariff endorsements and guarantees: Endorsements and guarantees for the Company or other companies in relation to tariff matters.
3. Other endorsements and guarantees: Any endorsement or guarantee beyond the scope of the above two subparagraphs.
4. Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for loans of another company shall also be handled in accordance with these rules.

**Article 3**

The Company makes endorsements and guarantees only for the following companies:

1. Any company with which the Company has business relations.
2. Any subsidiaries in which the Company directly and indirectly owns more than 50 percent of the voting shares.
3. Any parent company which directly and indirectly owns more than 50 percent of the voting shares of the Company

Subsidiaries whose voting shares are at least 90% owned, directly and indirectly, by the Company may provide endorsements and/or guarantees to each other, and the accumulated total amount of such

endorsement/guarantee shall not exceed 10% of the Company's net worth. The limitation above shall not apply to endorsement/guarantee made between subsidiaries whose voting shares are 100% owned directly and indirectly by the Company.

"Subsidiary" and "parent company" as referred to in the Procedures are determined according to the International Financial Reporting Standards, and "net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet.

#### **Article 4**

The endorsements and guarantees provided by the Company shall be effective upon approval by the Audit Committee and then the board.

The total amount of endorsement/guarantee and the amount for any individual entity provided by the Company or by the Company and its subsidiaries are subject to the following limits:

1. The total amount of endorsements and guarantees shall not exceed 150% of the Company's net worth.
2. The limits of total amount of endorsement/guarantee provided to any individual entity are set forth below:
  - a. For any individual entity of which the Company directly or indirectly owns 50% or more of its voting shares, the total amount of endorsement/guarantee shall not exceed 80% of the Company's net worth.
  - b. For the parent company of the Company, the total amount of endorsement/guarantee shall not exceed 50% of the Company's net worth.
  - c. For any company with which the Company has business relations, the total amount of endorsement/guarantee shall not exceed 2% of the Company's net worth, or the total business amount between such party and the Company in the near twelve months, whichever is higher.

The total business amount mentioned above refers to the total sales amount and service revenue or the total purchase amount and service expenditure (including signed contracts for sales/purchase and service) derived from the parties' regular business activities, whichever is higher.

When the total amount of endorsement/guarantee made by the Company

and its subsidiaries reaches 50% or more of the Company's net worth, the Company shall explain the necessity and rationality in the Shareholders' Meeting.

#### **Article 5**

Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" and the Procedures. The department in charge shall then provide a proposal stating the company providing endorsement and/or guarantee, the recipient, the type, reasons, the amount, results of risk assessment, the content to acquire collateral, and the condition and the date of endorsement and/or guarantee dissolution; such a proposal shall report to the board and take effect after the approval by the board.

A pre-determined limit of NT\$30,000,000 may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement and/or guarantee shall be reported to the most upcoming Board of Directors' Meeting for ratification. When a guarantee is made for a foreign company, the letter of guarantee issued by the Company shall be signed by the authorized person designated by the board.

The opinion of each independent director shall be given a full consideration in a resolution of the endorsement or guarantee by the Company, and each independent director's explicit assenting or dissenting opinion and reasons for dissent shall be recorded in the Board of Directors meeting minutes. If the party to whom the Company provided endorsement and/or guarantee no longer satisfies the criteria of the Procedures, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, the department in charge and the Finance department shall set an improvement plan and submit it to the Audit Committee for approval and the proposed correction actions should be implemented within the period specified in the plan.

In case the Company desires to provide endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital, Finance Department shall exercise the following control. The Company shall implement adequate risk control measures if there is any hesitation of expired debt or contingent losses exists to protect the Company's right. Related risk control measures shall be reported to the most upcoming Audit Committee.

For purposes of determining the paid-in capital of the above-mentioned subsidiary receiving endorsement/guarantee who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be deemed as its paid-in capital.

The Finance department shall list all occurrences and dissolutions of endorsement and/or guarantee by month and establish a reference book to control each item. In addition, endorsements and guarantees shall be announced and declared in accordance with the relevant regulations.

## **Article 6**

The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

When the balance of endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence. The date of occurrence refers to the date of contract signing, date of payment, dates of the Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount, whichever date is earlier.

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment o\_ [adopted equity method](#), and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

The percentage of the balance of endorsements and guarantees made by a

subsidiary mentioned above to the net worth is calculated as the percentage of balance of endorsements and guarantees of such a subsidiary to the net worth of the Company. The Company shall announce and report on behalf of any subsidiary thereof that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

#### **Article 7**

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 certified public accountants with relevant information for implementation of necessary audit procedures.

The Company's internal auditor shall at least audit quarterly the status of lending funds to others and document the performance. He/she shall notice the [Audit Committee along with the improvement report](#) immediately once the material violation was found.

When a managerial officer or in-charge personnel of the Company violate the "Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies" issued by the Securities Regulatory Authority or the Procedures, violators shall be punished in accordance with the rewards and punishments procedures of the Company.

#### **Article 8**

When canceling an endorsement and/or guarantee, the Company shall get back the issued note or the contract from the endorsee/guarantee company; the Finance department shall fill out the proposal, stating the actual cancellation date of the endorsement and/or guarantee, the reason, the issued note or the contract gotten back, and then send the proposal to the Chairman for approval.

#### **Article 9**

When providing endorsements and guarantees, the Company shall require the endorsee/guarantee company to provide the same amount of promissory notes as guaranties.

#### **Article 10**

The Company shall register Company seals in the Ministry of Economic

Affairs as dedicated seals for purposes of endorsements and guarantees; such seals shall be agreed by the board and kept by a specific in-charge person who is appointed by the Chairman; relevant notes and Company seals shall be separately kept by authorized persons; the Company shall seal or issue notes in accordance with the Procedures.

#### **Article 11**

(Cancelled)

#### **Article 12**

When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for endorsement/guarantee in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies". Such procedures shall be approved by the subsidiary's Board of Directors and the Company, and become effective upon the approval of Shareholders' Meeting of the subsidiary. Any amendment is subject to the same procedures. Approval by the Company mentioned above means the approval process from the Company's financial department to the Chairman.

Any endorsement and/or guarantee to be provided by the Company's subsidiaries shall be evaluated the necessity and rationality of the endorsement/guarantee, the impact towards the Company's operating risk, financial position and shareholders' equity, and then a credit and risk evaluation report shall be produced and submitted to the subsidiary's Board of Directors and the Company's for approval. Approval by the Company mentioned above means being approved by the Audit Committee and submitted to the Board of Directors for a resolution.

The endorsement/guarantee made between the subsidiaries, whose voting shares are at least 90% owned, directly or indirectly, by the Company, shall be approved by the Audit Committee and submitted to the Board of Directors for a resolution.

#### **Article 13**

The Procedures shall be approved by more than half of the Audit Committee members, and then passed by the Board of Directors and the Shareholders Meeting. Any amendment is subject to the same procedure.  
If the proposals would not be obtained approval of more than half of all Audit

Committee members as required, the procedures may be implemented if 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 of directors meeting.

The terms "all Audit Committee members" in the first paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

When a revision of the Procedure matter is submitted for discussion by the board under the preceding rule, the opinion of each independent director shall be given a full consideration, and each independent director's explicit assenting or dissenting opinions and reasons for dissent shall be recorded in the board of directors meeting minutes. The written dissenting opinions shall be submitted to the shareholders' meeting for discussion.