

Darfon Electronics Corp.

Handling Procedures for Providing Endorsements and Guarantees for Third Parties

Article 1: Purpose

In order to provide specific operating rules in respect of the endorsements and guarantees to be provided by the Company, the Handling Procedures are enacted in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (the “Regulations”) promulgated by the Financial Supervisory Commission the Executive Yuan of the Republic of China (“FSC”).

Article 2: The Party for Whom the Endorsement/Guarantee to be Provided by the Company

- (1) Companies that have business dealing with the Company.
- (2) The Company may only provide endorsement or guarantee for its subsidiaries in which the Company directly or indirectly holds more than 50% of such subsidiaries’ total outstanding voting shares.
- (3) The Company may provide endorsement or guarantee for companies what directly or indirectly hold more than 50% to the Company’s total outstanding voting shares.
- (4) The Company may provide guarantee for the company which is invested by the Company jointly with others where all capital contributing shareholders are required to provide guarantees for the invested company in proportion or their shareholding percentages.

Capital contribution shall mean capital contribution directly made by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 3: Scope of Application

The endorsements and/or guarantees to be provided by the Company in accordance with this Handling Procedures include the following:

- (1) Endorsements/guarantees for financing purpose, including:
 - i. Discounted bill financing;
 - ii. Endorsement or guarantee provided to other company for financing purpose;
 - iii. Issuing negotiable instruments to the non-financial institution, as collateral, for the Company’s financing purpose.
- (2) Custom Duty Endorsement and/or Guarantee shall mean an endorsement or guarantee provided by the Company for itself or other companies in respect of the custom duties.

- (3) Other endorsements and/or guarantees shall mean the endorsements or guarantees other than those categorized as Paragraph (1) or Paragraph (2) above,
- (4) A pledge or mortgage created over the chattel or real property provided by the Company, as collateral for the loans borrowed by other companies.

Article 4: The amount of an Endorsement/Guarantee

- (1) The total amount of the Company's external endorsement/guarantees and the Company that directly and indirectly holds more than 50% of the voting shares of the same company, the Company that has business dealings with the Company, or due to a joint investment relationship, all the investing shareholders provide an endorsement guarantees to the invested companies according to their shareholding ratio, and the limit of such endorsement guarantees shall be prescribed by the Board of Directors and submitted to the shareholders' meeting for approval before implementation.
- (2) The Company's external endorsement guarantee amount is set as follows:
 - i. The total amount of endorsement guarantee shall not exceed 50% of the net value of the Company's latest financial statement.
 - ii. For the same endorsement object, the total amount of endorsement guarantee shall not exceed 20% of the net value of the Company's most recent financial statement. However, if an endorsement guarantee is made due to a business relationship, the amount of the individual endorsement is made due to a business relationship, the amount of the individual endorsement guarantee may not exceed the business transaction amount between the two parties in the most recent year; the business transaction amount refers to the purchase or sale amount between the two parties, whichever is higher.
- (3) The total amount of endorsement guaranteed by the Company and subsidiaries as a whole shall not exceed 50% of the net value of the Company's latest financial statement. If the total amount of endorsement guarantees as a whole reach 50% of the Company's net worth, it shall be explained at the shareholders' meeting; the amount of endorsement and guarantee for a single enterprise by the Company and its subsidiaries as a whole shall be limited to 20% of the net value of the Company's most recent financial statement.

Article 5: Handling Procedures

- (1) To handle application for providing or terminating endorsements and/or guarantees, the related department shall evaluate such application and fill in the relevant application form with name of the Company which will provide such endorsement or guarantee ("issuer"), name of the subsidiary for which the issuer will provide such endorsement or guarantee,

type of endorsement or guarantee, reason and amount of the endorsement and/or guarantee and shall handle such application in accordance with Article 6 and Article 8 hereof.

- (2) The finance department shall prepare and keep a book with respect to the endorsements and/or guarantees provided by the Company to record the subject of the endorsement or guarantee, name of the subsidiary for which the Company will provide endorsement/guarantee, amount of the endorsement/guarantee, result of the risk evaluation, content of the collateral, approval date of the Board of Directors or the Chairman, date of endorsement or guarantee and date and condition for the Company to discharge its obligation from the relevant endorsement or guarantee.

Article 6: The Procedures for Reviewing and Approving Endorsements or Guarantees

Prior to providing endorsement or guarantee, the Company shall request the subsidiary (“applicant”) which applies for endorsement or guarantee to provide the Company with the certificate of company registrations, ID certificate of its responsible person, and necessary financial information for the Company to conduct evaluation of the following:

- (1) Evaluate the financial and business conditions of the applicant and the necessity and reasonableness of providing such endorsement and/or guarantee;
- (2) Conduct credit checking based on the information and material provided by the applicant and evaluate the risks of providing such endorsement and/or guarantee;
- (3) Check whether the aggregate amount of endorsements and/or guarantees exceed the aggregate limit or not and evaluate the impact on the Company’s operation risk, financial conditions and the shareholders’ equity caused by such endorsement or guarantee; and
- (4) Considering to what extent the Company will be able to accept the risk associated with such endorsement or guarantee and evaluate whether it is necessary for the Company to require collateral or not.

Article 7: The Procedures for Supervising Endorsement or Guarantee Provided by Subsidiaries

- (1) If the Company’s subsidiary intends to provided endorsement or guarantee for other companies, the Company shall ask the subsidiary to enact its own Handling Procedures for endorsements and guarantees in accordance with the “Regulations” after consultation with the Company. Subsidiary’s Handling Procedures shall be approved by the subsidiary’s Board of Directors and reported to shareholders’ meeting; the same shall apply to amendments to such Handling Procedures. When a subsidiary company engages in the

endorsement/guarantee, it shall handle it in accordance with its established Handling Procedures.

- (2) The Company shall supervise its subsidiaries to check whether the subsidiary's own handling procedures for endorsements and guarantees are in compliance with the relevant law and regulations or not and whether the subsidiary acquires and disposes the assets in accordance with such subsidiary's own handling procedures for endorsements and guarantees for third parties.
- (3) The Company's internal auditing personnel shall review and check the examination reports related matters produced by each subsidiary.
- (4) Between companies whose voting shares directly or indirectly hold more than 90% of the voting shares, the Company may provide an endorsement/guarantee, and the amount shall not exceed 10% of the Company's net worth, However, this does not apply to inter-company endorsement/guarantee in which the Company directly and indirectly holds 100% of the voting shares.
- (5) If the endorsement/guarantee object is a subsidiary whose net worth is less than half of the paid-in capital, the financial department shall evaluate the operating risk of the subsidiary and its impact on the Company, and submit a quarterly report to the Company's Board of Directors. However, this does not apply to companies in which the Company directly or indirectly holds 100% of the voting shares.

Article 8: The Procedures for the Using and Safekeeping of Corporate Chop

The Company shall use the corporate chop (the "Chop") registered with the Ministry of Economic Affairs ("MOEA") as the chop to be used for providing endorsement and/or guarantee. The Chop shall be kept in custody by the person authorized by the Board of Directors and may only be affixed or used on the relevant documents or to issue negotiable instruments in accordance with the Company's Rules Governing Use of the Corporate Cho. If the Company wishes to provide guarantees for a foreign company, the subject letter of guaranty shall be signed by the person authorized by the Board of Directors.

Article 9: The Management Level Responsible for Decision-Making and Authorization

- (1) Providing endorsements and/or guarantees by the Company shall be subject to the resolution adopted by the Board of Directors, except that the endorsement or guarantee the amount of which is less than NT\$100,000,000 may be decided by the Chairman of the Board of Directors but such shall be submitted to the next meeting of the Board of Directors for ratification.

- (2) The endorsement/guarantee matters made by the Company shall fully consider the opinions of independent directors, and shall include their clear opinions of approval or disapproval and the reasons for their disapproval in the Board of Directors' records.
- (3) If the Company handles the endorsement guarantee exceed the amount stipulated in this procedures and meets the conditions stipulated in this procedure due to business needs, it shall be approved by the Board of Directors for more than half of the directors sign the joint insurance for the possible losses caused by the Company's exceeding the limit, amend the procedures, and report to the shareholders' meeting for ratification; if the shareholders' meeting disagrees, a plan should be made to eliminate the excess within a certain period of time.
- (4) If the Company for which the Company provides endorsement/guarantee is no longer the permitted subsidiary or the Company's outstanding amount of endorsement or guarantee exceeds the limits provided for in the Handling Procedures due to change of the circumstances, the Company shall submit the improvement plan to the Audit Committee and execute the plan on schedule; if the Company's outstanding amount of endorsement or guarantee exceeds the limits provided for, Board of Directors shall eliminate the excess within a certain period of time.
- (5) If the relevant endorsement/guarantee transaction is required to be submitted to the Board of Directors for discussion based on the Handling Procedures, such transaction shall be approved by a majority of all members of the Audit Committee. If such transaction is not approved by a majority of all members of all directors, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.
- (6) When the Board of Directors discusses, the opinions of all directors should be fully considered, and if there are objections or reservations, they should be stated in the minutes of the board meeting.
- (7) "All members of the Audit Committee" and "All Directors" referred to in the preceding paragraph shall mean the actual number of the committee members/directors.

Article 10: Information Disclosure

- (1) The Company shall make a public announcement and file the necessary report(s), for itself and its subsidiaries, of the outstanding amount of endorsements and/or guarantees as of the end of the previous month prior to the 10th day of each month.
- (2) If the outstanding amount of endorsements and/or guarantees provided by the Company and the subsidiaries reaches any of the following standards, the Company shall make a public announcement and file the necessary report(s) within two days from the date of occurrence of the subject endorsement or guarantee:

- i. The Company or subsidiaries' aggregate balance of endorsements/guarantees reaches 50% or more of the Company's net worth as stated in its latest financial statement.
 - ii. The Company or subsidiaries' balance of endorsements/guarantees for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
 - iii. The Company or subsidiaries' balance of endorsements/guarantees for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, book value of investments in equity-accounted investees in, and balance of capital lending to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.
 - iv. The amount of new endorsements/guarantees reaches by more than NT\$30 million and by 5% or more of the Company's net worth as stated in its latest financial statement.
- (3) If the Company's subsidiary is not a domestic public company of the Republic of China but is required to make a public announcement and file the necessary report(s) in accordance with Paragraph (2) item iv. Above, the Company shall make such public announcement and file the necessary report(s).
- (4) The Company shall evaluate or recognize the contingent loss associated with the endorsements and/or guarantees and make the proper disclosure of the relevant information in connection therewith in the financial statements and provide the relevant material and information to the CPA for him/her to proceed with the necessary auditing procedure.

Article 11: Internal Auditing

The internal auditing personnel shall examine and audit the Handling Procedures and the implementation thereof at least on the quarterly basis and produce the written record. If internal auditing personnel find any material violation of the Handling Procedures, they shall inform the Audit Committee of such violation in writing immediately.

Article 12: Penalty

If any manager or person in-charge of endorsement and/or guarantee, due to his/or intentional or gross negligence, violates the Handling Procedures, such manager or person shall be handled in accordance with the relevant internal personnel and administration regulations of the Company.

Article 13: Others

- (1) This term "subsidiary" as used in the Handling Procedures shall have the same meaning as defined in the Statements for Regulations Governing the Preparation of Financial Reports

by Securities Issuers published IN Republic of China. If the Company's financial statement is prepared in accordance with International Financial Reporting Standards, the term "net worth" as used in the Handling Procedures shall mean the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers published in Republic of China.

- (2) Matters not provided for in this Handling Procedures shall be governed by relevant laws, regulations, and the Company's other internal regulations.
- (3) The term "make a public announcement" and "file the necessary report(s)" as used in the Handling Procedures shall mean information disclosure posted in the website designated by the Financial Supervisory Commission of the Executive Yuan.
- (4) The term "the date of occurrence" as used in the Handling Procedures shall mean the date of contract signing, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsements/guarantees, whichever date is earlier.
- (5) Where the shares of a subsidiary have no par value or the par value of each share is not NT\$10. The paid-in capital calculated in accordance with Article 7, Paragraph 5 shall be the total of share capital plus capital reserve-issuance premium.

Article 14: Implementation and Amendment

- (1) Enactment of or amendment to the Handling Procedures shall be approved by a majority of all members of the Audit Committee. If enactment of or amendment to the Handling Procedures is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.
- (2) When the Board of Directors discusses, the opinions of independent directors shall be fully considered, and any objection or reserved opinion shall be stated in the minutes of the board meeting.
- (3) The Handling Procedures shall be approved by the Board of Directors and further submitted to the shareholders meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.

Article 15:

The Handling Procedure for Capital Lending were enacted on January 26, 1998.

The first amendment was made on May 8, 2003.

The second amendment was made on May 8, 2003

The third amendment was made on May 27, 2008.

The fourth amendment was made on June 10, 2009.

The fifth amendment was made on June 9, 2010.

The sixth amendment was made on June 20, 2013.

The seventh amendment was made on June 13, 2019.

The eighth amendment was made on June 16, 2022.