

**Policy & Procedure for Endorsement/Guarantee**  
**Princeton Technology Corp.**  
**(Translation)**

**Article 1: Scope**

1. The Company shall comply with the provisions of the Policy & Procedure when making endorsement/guarantee for other parties.
2. The term 'endorsement/guarantee' as used in the Policy & Procedure refers to the following:
  - (1) Financing endorsement/guarantee, including:
    - i: Promissory Notes discount financing
    - ii: Endorsement/guarantee made to meet the financing needs of another company.
    - iii: Issuance of a separate negotiable instrument to a non-financial company as security to meet the financing needs of the Company itself.
  - (2) Customs duty endorsement/guarantee: meaning an endorsement or guaranty for the company itself or another company with respect to customs duty matters.
  - (3) Other endorsements or guarantees: meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
  - (4) Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company.

**Article 2: Parties**

The Company shall be limited to making endorsements or guarantees for the following companies:

1. A company with which it does business.
2. A company in which the Company 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 Company.

The company may make endorsements/guarantees for a company in which the Company directly and indirectly holds 100 percent of the voting shares.

Where the Company is required to fulfill its contractual obligations by providing mutual endorsements or guarantees for another company in the same industry or of the same builder for purpose of undertaking a construction project, or where the Company is in a joint-venture where all of the shareholders are required to make endorsements or guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements or guarantees may be made free of the restriction of the preceding 2 paragraphs.

The shareholders mentioned above means the investment is held directly by the Company or through a company in which the Company holds 100 percent of the voting shares.

**Article 3: Maximum Amount**

1. The maximum aggregate amount of all endorsements/guarantees provided by the Company and its subsidiaries and is limited to 50 percent of the Company's net worth as reported in the latest financial report. For any single company, the maximum shall not exceed 20 percent of the Company's net worth as reported in the latest financial report. Prior to making endorsement/ guarantee to any company, it should be presented to the Chairman of the Board of Directors for his approval, then to the Board of Directors for approval, and shall be executed according to their approval. Subject to the approval of the Chairman of the Board of Directors and the amount is under the authorization of the Board of Directors, the Company may make endorsement/guarantee without the Board of Directors' approval when circumstances required . In such an event, the Company shall present the case to the Board of Directors for ratification after the fact and report it in the shareholders' meeting.
2. Total outstanding amount of all endorsements/guarantees to a single company shall not exceed the maximum amount, that is, 20 percent of the Company's net worth.
3. The Company shall acquire a lien on movable property or real estate provided by the company whom the guaranty is made to as collateral.
4. When required for business reasons, the amount of endorsement/guarantee shall not exceed the total amount of trade between two companies. The term 'the total amount of trade' as used in the Policy & Procedure means the sales or purchase amount between two companies, whichever is higher.

#### Article 4: Procedures and Amount Control

1. On request for a guarantee, the application department shall fill in an 'Endorsement/Guarantee Application/Write off Sheet' providing reasons and purposes, and submit the Sheet to the authorized manager for approval along with the promissory note.
2. The Finance Department shall evaluate the application on the following criteria:
  - (1) whether the reason is sufficient
  - (2) whether the amount of endorsement is appropriate on the basis of the financial status of the company whom the guaranty is made to
  - (3) whether the total outstanding amount is within the limitation
  - (4) the impact on the Company's interest
  - (5) If a collateral is acquired, the finance department shall handle the consignment of the collateral or the mortgage lien to ensure the Company's interest is protected.
3. The approved note shall be returned to the guarantee company after fulfill the following steps:
  - (1) stamping of the corporate chops
  - (2) a copy of the promissory note, both front and back, is made for filing
  - (3) entries are recorded in the 'Memorandum Book of Bill Endorsement and Write off' for the control of the amount of endorsement/guarantee

#### Article 5: Bill Write off

1. In writing off a bill, either for an extinguished financial obligation or a renewal of the endorsement, the application department shall fill in 'Endorsement/Guarantee Application/Write off Sheet' and submit it to the finance department with attachment

of a promissory note.

2. Finance department shall record the entries in the ‘Memorandum Book of Bill Write off’ to reduce the total outstanding endorsement amount.
3. Where there is a bill extension, financial institute will always request to endorse the new bill before return the old one. Under this circumstance, finance department shall prepare the debt collect record and get the old bill back to write it off as soon as possible.

#### Article 6: Corporate Chop

The corporate chop for the purpose of endorsement/guarantee shall be the chop registered in Ministry of Economic Affairs. The corporate chop and bills shall be separated and kept in custody by different personnel agreed by the Board of Directors, and they shall be used for bill issuance in accordance with the regulated procedures.

#### Article 7: Memorandum Book:

The Company shall prepare ‘the memorandum book of bill endorsement and write off’ to record the endorsement/guarantee objectives, amount, date of approval by board of directors or execution by the chairman, endorsement/guarantee date and any other material facts.

#### Article 8: Disclosure and Report

1. The Company shall disclose and report the previous month’s endorsement/guarantee balance of its head office and subsidiaries by the 10<sup>th</sup> day of each month.
2. When the company’s endorsement/guarantee reaches one of the following levels shall be disclosed and reported within two days of its occurrence:
  - (1) The aggregate endorsement/guarantee balance of the Company and its subsidiary reaches 50 percent or more of the Company’s net worth as stated in its latest financial statement.
  - (2) The endorsement/guarantee balance of the Company and its subsidiary to a single company reaches 20 percent or more of the Company’s net worth as stated in its latest financial statement.
  - (3) The endorsement/guarantee balance of the Company and its subsidiary to a single company reaches NT\$10 million or more and the aggregate accumulated balance of endorsement/guarantee, long-term investment and loan reaches 30 percents or more of the Company’s net worth as stated in its latest financial statement.
  - (4) The newly increased amount of endorsement/guarantee of the Company and its subsidiary reaches NT\$30 million or more and over 5 percent of the Company’s net worth as stated in its latest financial statement.
3. The Company shall disclose and report for the case of the forth (4) item of the preceding paragraph on behalf of any of its subsidiary that is not a publicly listed company.

#### Article 9: Penalty

In the event of any violation by the Company’s managers and personnel-in-charge under the “Regulation Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies” issued by the competent authority for securities or the Policy & Procedure, the case shall be brought up to the Board of Directors for their decision of penalty.

## Article 10: Others

1. The Company shall evaluate or record the contingent loss for endorsement/guarantee in accordance with the Statement of Financial Accounting Standards No. 9, and shall adequately disclose information on endorsement/guarantee in its financial reports and provide its certified public accountants with relevant information for implementation of necessary auditing procedures.
2. Where the Company needs to exceed the limits set out in the Policy & Procedure for business reasons, and where the conditions set out in the Policy & Procedure are complied with, it shall obtain approval from the Board of Directors, and at least half the directors shall act as joint guarantors for any loss to the Company due to the excess endorsement/ guarantee. It shall also then amend the Policy & Procedure accordingly and submit same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give its consent, the Company shall adopt a plan to discharge the amount in excess with 3 months. When discussing in the Board of Directors' meeting, the Chairman shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing consent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.
3. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Policy & Procedure,, or the amount of endorsement/guarantee exceeds the limits, the Company shall adopt rectification plans and submit the rectification plans to Auditing Committee. The Company shall complete the improvement according to the schedule of the rectification plans.
4. Where a foreign company making a guarantee act, the Company's shall issue a guarantee signed by the person authorized by the Board of Directors.
5. Where a subsidiary of the Company intends to make endorsement/guarantee for others, the subsidiary shall draw up its own endorsement/guarantee procedure according to the Policy & Procedure and ensure its process comply with the provisions of the Policy & Procedure.
6. The Company's internal auditors shall audit the operating procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify Auditing Committee in writing of any material violation found.
7. Endorsements/Guarantees issued for subsidiary companies with a Net Worth lower than 50% of Paid-in Capital are subject to the following control:
  - (1) A control log must be set up for monitor and control. An Endorsement/Guarantee shall be clearly terminated upon expiry of the term.
  - (2) The management statements of the subsidiary company shall be obtained and examined on a monthly basis.
  - (3). A subsidiary company with a Net Worth lower than 50% of Paid-in Capital shall be forbidden to issue endorsements/guarantees for other companies

## Article 11: Implementation and Revision

The Policy & Procedure shall be approved by Audit Committee, the Board of Directors and the Shareholders' Meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to Auditing Committee and for discussion by the shareholders'. Revisions to the Policy & Procedure shall be processed in the same manner as mentioned herein.

When discussing in the Board of Directors' meeting, the Chairman shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing consent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 12: This Policy & Procedure was drawn up on June 6, 2003 in accordance with the ordinances set forth by Securities and Futures Commission on December 10, 2002 and underwent the

First amendment on June 12, 2006,

Second amendment on June 13, 2008,

Third amendment on June 16, 2009,

and

Fourth amendment on June 17, 2010.