

Taiwan Mask Corporation

Regulations Governing Making Endorsements and Guarantees

Article 1 Purpose

To manage financial operations and lower down management risks, the company set up this regulation based on "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by government authorities. When doing all operations related to endorsements and guarantees shall follow this regulation.

Article 2 Scope

The term "endorsements/guarantees" as used in these Regulations refers to the following:

1. Financing endorsements and guarantees:
 - 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 company itself 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.

Any creation by a public company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.

Article 3 Counter party

The company may make endorsements/guarantees for the following companies. Where the company fulfills its 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, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be

made free of the restriction of the preceding two paragraphs.

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

Companies in which the company 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 public company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the company holds, directly or indirectly, 100% of the voting shares.

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

Article 4 The limitation of endorsements and guarantees

1. Total limitation for endorsements and guarantees: not exceeding 30% of the paid in capital of the company.
2. Limitation for endorsements and guarantees to one single company:
 - A. A company with which it does business: the limitation for one single company shall not exceed the transaction amount of recent year, and not exceed 10% of the paid in capital of the company, and not exceed the paid in capital of the endorsed company. The transaction amount shall be decided by purchasing or selling amount whichever is higher.
 - B. Parent company or subsidiaries of the company: the limitation for one single company shall not exceed 10% of the paid in capital of the company, and not exceed the paid in capital of the endorsed company.
3. Total limitation for endorsements and guarantees for the company and its subsidiaries shall not exceed 40% of its net value. And among this amount, the limitation for endorsements and guarantees for one single company shall not exceed 20% of its net value.

When necessary, the board of directors meeting shall authorize the chairman to execute this process in certain amount, and then report to a soonest board of directors meeting afterwards, and also report to the shareholders' meeting about the execution.

Article 5 Authorization

When making endorsements and guarantees, the company shall follow this regulation Article 6-1. In some special circumstances, the board of directors meeting shall authorize the chairman to execute the process in the limit of NT\$ 50 million of total amount and NT\$ 10 million of one single company, then report to a soonest board of directors meeting afterwards.

Companies in which the company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other upon the authorization matrix of that subsidiary in accordance with Article 3-2. Companies in which the company holds, directly or indirectly, 100% of the voting shares may make endorsements/guarantees for each other, shall not apply to the restrictions stated above.

Article 6 Processes

1. Before making an endorsement/guarantee for others, finance department of the company shall carefully evaluate whether the terms and conditions of this endorsement/guarantee is in compliance with these Regulations. Evaluation shall include the operating situation, financial situation, credit limit, accountability and necessity of the counter party, and the risk the company is taking. All the evidence shall be recoded. Analyze the risk of operating, financing and the influence of stockholders' equity of the company, ask for collateral when necessary. The evaluation reports shall be provided to the chairman for approval and then submitted to the board of directors meeting for resolution. When independent directors express different opinions for making endorsements and guarantees, the opinions (both for and against) shall be recorded into the meeting minutes of board of directors meeting. If the amount is under the limitation, the chairman shall decide by himself/ herself based on the evaluation reports.
2. A public company shall prepare a memorandum book for its endorsement/guarantee activities. When the board of directors meeting making resolutions or the chairman decided on endorsements and guarantees, in addition to use chop for seal, following detail information shall also be recorded: the content of endorsement and guarantee, the entity for which the endorsement/guarantee is made, risk assessment report, the amount, the collateral content, the date the endorsement/guarantee is made. And all the documents, notes and conditions shall be photo copied and carefully kept in safety place.

3. Finance department shall prepare a journal list for endorsements and guarantees to control, follow and make announcements. Quarterly recording contingent loss for endorsements and guarantees is necessary. Endorsements and guarantees information shall be provided to CPA and disclosed in audited financial reports.
4. If the counter party of endorsements and guarantees met the criteria stated in Article 3 but now doesn't, or changes were made to paid-in capital of the company to make the endorsement/ guarantee amount exceed the limit, the company shall eliminate the exceeding part before the expiring date of the contract. Or, finance department shall make an improvement plan for the chairman to approve, and then submit it to Auditing Committee. The plan shall eliminate the whole part (counter party doesn't meet the criteria) or the exceeding part (the changes of paid-in capital) of the endorsement / guarantee.
5. Before the expiring date of endorsement/ guarantee, finance department shall notify the financial institution which reserved the guarantee notes to send the notes back and void the notes.

If the counter party is a subsidiary and its net value is under 50% of its paid-in capital, finance department shall monitor its operation and credit line periodically. When there is dramatic changes in its operation or credit line, finance department shall notify the chairman to decide what to do next.

Article 7 Procedures of the use and keep of the company chop

1. The company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors, and shall be transferred when job rotate.
2. When the board of directors meeting or the chairman approved an endorsement / guarantee, finance department shall fill in "Request for Seal" form, accompanied with the approval documents, endorsement contract or negotiable notes, submit all the documents to the president for approval. All documents can be then sealed with the company chop.
3. When sealing the chop, the designated person shall check if approvals are made, "Request for Seal" form is approved by the president, and all the required documents are well-prepared. The sealing records shall be recorded in a registered book.
4. When the counter party is a foreign company, the documents of endorsement / guarantee shall be signed by the chairman or president authorized by the board

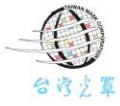
of directors meeting.

Article 8 Procedures for announcements

Finance department shall making announcements in accordance with Article 24 and 25 of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” issued by government authorities.

Article 9 Others

1. The “Regulations governing making endorsements and guarantees” of subsidiaries shall be defined according to the one of the company. When a subsidiary making endorsement/ guarantee, the subsidiary shall follow the rule of “Authorization Matrix” of its own to approve it. The subsidiary shall report the amount, counter party, period of the endorsement/ guarantee to the company by the fifth day of each month. When the subsidiary meets the requirement of Article 8 shall notify the company immediately to make announcements.
2. All events related to endorsements and guarantees of the company or the subsidiary occurred within one year, shall be reported to the shareholders’ meeting to be held next year.
3. The revision of this regulation shall be approved by Auditing Committee, then submitted to the board of directors meeting for approval, and then submitted to shareholders’ meeting for approval. If different opinions are raised by directors, the opinions shall be recorded in written format and submitted in Auditing Committee and shareholders’ meeting for discussion. If this revision is not approved by 1/2 of members of Auditing Committee, 2/3 of the directors in board meeting approval is also acceptable. When this is the case, then the resolution of the Auditing Committee shall be recorded in the meeting minutes of board meeting. The members in Auditing Committee and directors in board meeting shall be counted when officially on his/her duty.
4. When a violation is made by the management team, punishments shall be given depend on the scale of violation and recorded into annual performance appraisal.
5. The process of execution of this regulation shall be audited once a quarter and recorded into written format. If major violation was found, written notification shall be sent to Auditing Committee.
6. As mentioned above, when there is a need to notify independent directors, it shall be in written format. When situation changed, the original endorsed party



can no longer meet the requirement stated in this regulation or exceed the amount limit, the endorsed party shall prepare an improvement plan and submit it to independent directors. The endorsed party shall also make improvements according to the improvement plan.

Revisions:

First version on 1991/1/16; second revision on 1997/3/27; third revision on 2003/6/3; fourth revision on 2006/6/12; fifth revision on 2009/6/10; sixth revision on 2011/6/22; seventh revision on 2017/6/23; eighth revision on 2019/6/11.