

**Procedures for Endorsement and Guarantee
of
Taiflex Scientific Co., Ltd.
("Company")**

- Article 1: The Procedures are established to protect the shareholders' rights, improve the financial management in providing endorsement and guarantee to outside parties and reduce the risks. Any other matters not set forth in the Procedures shall be dealt with in accordance with applicable laws, rules and regulations.
- Article 2: The scope, counterparty, amount, procedure, authorization, chop safekeeping, public announcement and filing procedures concerning the endorsement and guarantee of the Company shall be subject to the Procedures.
- Article 3: The scope and details of endorsement and guarantee are as follows:
- (1) Financing endorsement and guarantee:
 - (i) Endorsement/guarantee to customers' notes for cash financing with a discount;
 - (ii) Endorsement and guarantee for the financing need of another company;
 - (iii) Endorsement and guarantee to notes issued by the Company to non-financial institutions and entities for the financing need of the Company.
 - (2) Endorsement and guarantee of customs duties:

Endorsement or guarantee of customs duties for the Company or other companies
 - (3) Other endorsements and guarantees:

Endorsements and guarantees which cannot be classified into categories in the preceding paragraphs (including pledge or mortgage on assets and real estate which the Company provides for the loans of other companies)
- Article 4: The parties to whom the Company may provide endorsement and/or guarantee include the following:
- (1) The companies having business relationship with the Company
 - (2) The companies in which the Company directly or indirectly holds more than 50 percent of voting shares
 - (3) The companies which directly or indirectly hold more than 50 percent of voting shares of the Company
 - (4) The endorsement and guarantee can be provided among companies in which the Company directly or indirectly holds more than 90 percent of voting shares and the amount shall not exceed 10 percent of the Company's net worth. However, the restriction shall not apply to the endorsement and guarantee among companies in which the Company directly or indirectly holds 100 percent of voting shares.
- Article 5: Application for endorsement and guarantee shall not be accepted under the following conditions:
- (1) The amount of endorsement and guarantee made exceeds the prescribed limit.

- (2) Applicants with records of default or debt disputes
- (3) Beyond the guarantee scope approved by the Board of Directors
- (4) Total capital less than 40 percent of total assets
- (5) Others: When it deems inappropriate to provide endorsement and guarantee due to other objective factors

The restriction shall not apply to companies where the Company directly or indirectly holds 100 percent of voting shares.

Article 6: Amount limits of endorsement and guarantee

- (1) The total amount of endorsement and guarantee provided by the Company for other parties shall not exceed 50 percent of the Company's net worth in the latest financial statements. The amount of endorsement and guarantee provided by the Company for an individual entity shall not exceed 20 percent of the Company's net worth in the latest financial statement. However, the restriction shall not apply to companies in which the Company directly or indirectly holds 100 percent of voting shares. Notwithstanding the foregoing, the amount of endorsement and guarantee provided by the Company for the company in which the Company directly or indirectly holds 100 percent of voting shares shall still be subject to the limitation of 50 percent of the Company's net worth in the latest financial statements as stated above.
- (2) The total amount of endorsement and guarantee provided by the Company and its subsidiaries for other parties shall not exceed 50 percent of the Company's net worth in the latest financial statements. The total amount of endorsement and guarantee provided by the Company and its subsidiaries for an individual entity shall not exceed 20 percent of the Company's net worth in the latest financial statements. However, the restriction shall not apply to endorsement and guarantee provided for companies in which the Company directly or indirectly holds 100 percent of voting shares. Notwithstanding the foregoing, the amount of endorsement and guarantee provided by Company and its subsidiaries for the company in which the Company directly or indirectly holds 100 percent of voting shares shall still be subject to the limitation of 50 percent of the Company's net worth in the latest financial statements as stated above. When the total amount of endorsement and guarantee provided by the Company and its subsidiaries exceeds 50 percent of the Company's net worth in the latest financial statements, the necessity and reasonableness for the excess portion shall be stated at the Company's shareholders' meeting.
- (3) In addition to the abovementioned restrictions, the individual endorsement and guarantee amount for the company having business relationship with the Company shall not exceed the transaction amount between both parties. The term "transaction amount" refers to purchase or sales amount of the goods between the parties, whichever is higher.
- (4) The term "net worth" refers to the equity attributable to the owners of parent company in the balance sheet in accordance with the Regulations Governing the Preparation of

Financial Reports by Securities Issuers.

- (5) The subsidiaries or parent company set forth in the Paragraphs (2) and (4) shall be recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 7: When the amount of endorsement and guarantee provided by the Company due to business needs would exceed the limit stipulated in Article 6, it shall be approved by the Board of Directors and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the shareholders' meeting. If the revised Procedures are not ratified at the shareholders' meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

The opinions of each independent directors of the Company shall be fully taken into consideration during the discussion at the Board of Directors' meetings ("Board Meetings"). Their definite opinions on whether to approve and the reasons for disapproval shall be recorded in the minutes of the Board Meetings.

Article 8: If the party to whom the Company provided endorsement and guarantee pursuant to Article 4 later failed to meet the criteria in the article, or the amount of endorsement and guarantee exceeds the prescribed limit due to the changes of basis on which the amounts of limits are calculated, the amount of endorsement and guarantee for such party or the excess shall be eliminated upon the expiry of agreement or within the certain period specified in the improvement plan. The plan shall be delivered to the audit committee and proposed at the Board Meetings after the completion of improvement according to the planned schedule.

Article 9: Processing and examining procedures for endorsement and guarantee

- (1) Companies requiring endorsement and guarantee from the Company shall file a written application with the Company's Financial Department together with the basic information and financial data. The Financial Department shall conduct detailed assessment and credit investigation. The assessment items include the necessity and rationality of the endorsement and guarantee; whether the amount of endorsement and guarantee for the company having business relationship with the Company is commensurate to their transaction amount; impact on the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral.
- (2) The person-in-charge at the Financial Department of the Company shall collect and organize relevant information and assessment results referred to in the preceding paragraph. If the cumulated balance is less than 30 percent of the Company's net worth in the latest financial statements at the time, the endorsement and guarantee can be processed upon the Chairperson's approval and later be submitted to the latest Board Meeting for ratification. If the cumulated balance of endorsement and guarantee exceeds 30 percent of the Company's net worth in the latest financial statement at the time, the application shall be submitted to the Board of Directors for

approval and executed in accordance with the resolution of the Board Meetings.

- (3) The Financial Department shall prepare an “endorsement and guarantee registration form” to record as reference the party and amount of endorsement and guarantee, resolution date of the Board Meeting or decision date of Chairperson, date of endorsement and guarantee, matters to be carefully assessed in accordance with the Procedures, collateral details and its appraised value, and conditions and dates of being released from the endorsement and guarantee responsibilities.
- (4) When the company endorsed and guaranteed repays the loan, the Company shall be notified of the repayment to release its endorsement and guarantee responsibility and update the endorsement and guarantee registration form accordingly.
- (5) The Financial Department shall conduct regular assessment and recognize the contingent loss arising from the endorsement and guarantee. Information of endorsement and guarantee shall be properly disclosed in the financial reports and provided to the certified public accountants (“CPAs”) for conducting due auditing and issuing audit reports.
- (6) If the party for which the Company or its subsidiary provides endorsement and guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, in addition to conducting the procedures in accordance with the Subparagraphs (1) to (5) of this Article, the Financial Department of the Company shall follow up to check on the financial condition, business activities and credit status of the endorsed and guaranteed party and produce a written report monthly. If a significant change occurs, the Chairperson shall be notified immediately to provide instructions for proper treatment.

If the shares of the subsidiary have no par value or the par value per share is not NT\$ 10, the paid-in capital calculated pursuant to Subparagraph (6) of this Article shall be the sum of capital plus “capital surplus – additional paid-in capital”.

- Article 10:
- (1) The endorsement and guarantee among the companies having business relationship with the Company shall be approved by the Board of Directors before proceeding.
 - (2) The Company has delegated the Chairperson to approve the endorsement and guarantee for the subsidiary in which the Company directly or indirectly holds 100 percent of voting shares and the cumulated amount of endorsement and guarantee is below 30 percent of the Company’s net worth in the latest financial statements. The matter shall later be reported to the upcoming Board Meeting for ratification.
 - (3) Before proceeding, the endorsement and guarantee among subsidiaries in which the Company directly or indirectly holds more than 90 percent of voting shares shall be resolved at the Board Meetings. However, the Company has delegated the Chairperson to approve the endorsement and guarantee among subsidiaries in which the Company directly or indirectly holds 100 percent of voting shares and the cumulated amount of endorsement and guarantee is below 30 percent of the Company’s net worth in the latest financial statements. The matter shall later be

reported to the upcoming Board Meeting for ratification.

- (4) When the Company provides endorsement and guarantee for other parties, the opinions of each independent director shall be fully taken into consideration. Their definite opinions on whether to approve and the reasons for disapproval shall be recorded in the minutes of the Board Meetings.

Article 11: Chops safekeeping:

- (1) The chops of the Company and its legal representative registered at the Ministry of Economic Affairs shall be the official chops for endorsement and guarantee. They shall be kept separately by the Chairperson or the designated person approved by the Board of Directors. Application for chops shall be handled in accordance with the Procedures for Administering the Chops.
- (2) Chops for issuing notes shall be kept by the authorized person.
- (3) Blank notes shall be kept by the cashier.
- (4) When the Company provides endorsement and guarantee for a foreign company, the letter of endorsement and guarantee shall be executed by the person delegated by the Board of Directors.

Article 12: Deadline and contents for public announcement and filing:

- (1) The Company shall input the endorsement and guarantee balance of the Company and its subsidiaries as of the end of previous month in Market Observation Post System by the tenth day of every month.
- (2) If the endorsement and guarantee balance of the Company meets one of the following criteria, the Company shall input the balance in Market Observation Post System within two days from the date of occurrence (the date of occurrence being the first day):
 - (i) The endorsement and guarantee balance of the Company and its subsidiaries exceeds 50 percent of the net worth of the Company in the latest financial statement.
 - (ii) The endorsement and guarantee balance of the Company and its subsidiaries for a single enterprise exceeds 20 percent of the net worth of the Company in the latest financial statement.
 - (iii) The endorsement and guarantee balance of the Company and its subsidiaries for a single enterprise exceeds NT\$10,000,000, and the sum of endorsement and guarantee, long-term investment and fund lending balance in the company exceed 30 percent of the net worth of the Company in the latest financial statement.
 - (iv) The incremental endorsement and guarantee amount of the Company or its subsidiaries exceeds NT\$30,000,000 and 5 percent of the net worth of the Company in the latest financial statement.

The date of occurrence specified in the Procedures refers to the contracting date, payment date, resolution date of the Board of Directors, or other dates on which the transaction party and transaction amount can be ascertained, whichever is earlier.

- (3) Provided that the subsidiaries of the Company are not listed in the domestic market, the Company shall announce and file the matters specified in Subparagraph 4 of the preceding paragraph in Market Observation Post System on behalf of the subsidiaries.
- (4) The Company shall assess or recognize the contingent loss arising from the endorsement and guarantee and properly disclose the relevant information in the financial report. The relevant information shall be provided to the CPAs to execute necessary auditing procedures.

Article 13: The internal auditor of the Company shall perform auditing on the procedures for the endorsement and guarantee and the execution status at least quarterly and produce written auditing reports. Should there be any violation found, the audit committee shall be immediately notified in writing.

Article 14: Control procedures for the endorsement and guarantee for the subsidiaries

- (1) The auditor of the Company shall verify if the subsidiaries provide endorsement and guarantee to other parties and if the assessments and executions are in accordance with the relevant operational guidelines while performing auditing in subsidiaries according to the annual auditing plan. The auditor shall follow up and submit status reports to the General Manager.

Article 15: (Deleted)

Article 16: Penalty

The managers and persons-in-charge who violate the Procedures shall be penalized based on the severity of violation in accordance with the Company's Rules of Rewards and Punishments for employees.

Article 17: Implementation and amendment

The Procedures shall be approved by the majority of all audit committee members, submitted to the Board of Directors for resolutions and proposed at the shareholders' meeting for approval.

It may come into force upon the consent of two-thirds of the total number of directors if the majority of audit committee members does not approve, without being subject to the restrictions in the preceding paragraph. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board meeting.

If any director expresses objection on the record or in writing, the Company shall submit the objection to the audit committee and propose at the shareholders' meeting for discussion. The same applies to any amendment made to this Procedure.

When the Procedures are submitted at the Board Meetings for discussion in accordance with the abovementioned rules, the opinions of all independent directors shall be fully taken into consideration by the Company. Their definite opinions on whether to approve and the reasons for disapproval shall be recorded in the minutes of the Board Meetings.

Article 18: The Procedures took effect on April 15, 2000 after being approved by the shareholders' meeting.

The first amendment was made on May 26, 2003.

The second amendment was made on June 8, 2006.
The third amendment was made on May 9, 2007.
The fourth amendment was made on June 16, 2009.
The fifth amendment was made on June 18, 2010.
The sixth amendment was made on June 17, 2013.
The seventh amendment was made on June 24, 2014.
The eighth amendment was made on May 27, 2016.
The ninth amendment was made on May 26, 2017.

Attachment:

Attachment I: Endorsement and guarantee registration form