

**Sensortek Technology Corp.**  
**Procedures for Endorsement and Guarantee**

**Article 1: Purpose and basis**

The Procedures for Endorsement and Guarantee (hereinafter referred to as the "Procedures") are pursuant to Article 36-1 of the Securities and Exchange Act, "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," and relevant laws and regulations of the competent authority.

**Article 2: Scope of application**

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

- I. Financing endorsements/guarantees, including:
  - (I) Bill discount financing.
  - (II) Endorsement or guarantee made to meet the financing needs of another company.
  - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
- II. Customs duty endorsement/guarantee: an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
- III. Other endorsements/guarantees: endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the 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 Procedures.

**Article 3: Entity for endorsement/guarantee**

- I. The Company may make endorsements/guarantees for the following entities:
  - (I) A firm having direct business dealings with the Company.
  - (II) A firm of which the Company owns directly and indirectly more than 50% voting shares.
  - (III) A firm which owns directly and indirectly more than 50% of the Company voting shares.
- II. The subsidiaries of the Company which the Company owns directly and indirectly more than 90% voting shares can provide endorsements/guarantees to each other but the total amount of endorsements /guarantees shall not exceed 10% of its net worth. However the endorsements/guarantees between the subsidiaries of the Company which the Company owns directly and indirectly 100% are not limited within the preceding regulated scope.

"Subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

"Net worth" as referred to in the Procedures means the balance sheet equity attributable to the owners of the parent company under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

**Article 4: Amount limits of endorsements/guarantees**

- I. The total amount of endorsements/guarantees that the Company provides shall not exceed 50% of the net value of the Company based on its latest financial statements.
- II. The total amount of endorsements/guarantees that the Company provides to any single firm shall not exceed 25% of the net value of the Company based on its latest financial statements. However, the total amount of endorsements/guarantees that the Company provides to a single firm pursuant to Subparagraph 2.3 of Paragraph 1 of Article 3 shall not exceed 50% of the net value of the Company based on its latest financial statements.
- III. The total amount of endorsements/guarantees that the Company provides to a firm having direct business dealings with the Company, shall not exceed the amount of business transactions between the parties, except for the aforementioned limits. The aforesaid "amount of business transactions" shall be the total purchasing or selling amount, whichever is higher, within the last twelve months.
- IV. The total amount of endorsements/guarantees that the Company provides to its subsidiaries shall not exceed 50% of the net value of the Company based on its latest financial statements. The total amount of endorsements/guarantees that the Company provides to any single firm shall not exceed 25% of the net value of the Company based on its latest financial statements.

**Article 5: Decision making and levels to which authority is delegated**

- I. Any endorsement/guarantee by the Company shall be reviewed and signed off in accordance to Article 6 herein and implemented only after approval is sought from the Board of Directors. Full consideration shall be given to the opinions of the independent directors and if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. However, if due to business needs, the Board of Directors may authorize the Chairman to decide on endorsements/guarantees within NT\$50 million, and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.
- II. Where the Company needs to exceed the limits set out in the Procedures to satisfy its business needs, and where the conditions set out in Article 4 herein are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also

amend the Procedures accordingly and submit the Procedures to the Shareholders' Meeting for ratification after the fact. If the consent was not obtained at the Shareholders' Meeting, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

- III. When the Company provide endorsements or guarantees to a subsidiary in which the Company directly or indirectly holds more than 90% of their total outstanding shares with voting rights in accordance with Paragraph 2 of Article 3, shall be subjected to prior approval by the Board of Directors through resolution. However the endorsements/guarantees between the subsidiaries of the Company which the Company owns directly and indirectly 100% are not limited within the preceding regulated scope.

**Article 6: Procedures for endorsements/guarantees**

- I. When making an endorsement/guarantee, the finance unit shall in accordance to the application of the entity, assess whether the eligibility and amount conforms to the provisions of the Procedures and whether the requirements for announcement and report have been met. The contents, reasons and risk assessment results of relevant endorsement/guarantee shall be reported to the Chairman for approval and then submitted to the Board of Directors for ratification. If the endorsement/guarantee is still within the specified authorized limit, the Chairman shall make a decision according to the credit rating and financial status of the entity.
- II. The finance unit shall conduct investigation and detailed evaluation and review on the applying firm, and the evaluation items shall at least include:
  - (I) Necessity and reasonableness of endorsement/guarantee.
  - (II) Necessity of amount based on the financial condition of the entity for which the endorsement/guarantee is made.
  - (III) Whether the accumulated endorsement/guarantee amount is within the limit.
  - (IV) Whether the amount of an endorsement/guarantee arising from business dealings is within the limit of both the endorsement/guarantee amount and such dealings.
  - (V) Impact on the Company's operation, financial condition, and shareholders' equity.
  - (VI) Whether collateral must be obtained and appraisal of the value thereof.
  - (VII) Credit status and risk assessment of the entity for which the endorsement /guarantee is made.
- III. When the Company needs to obtain collateral for endorsements and guarantees, it shall go through the procedures of setting pledge or mortgage to ensure the rights of the Company.

All collateral, except for land and securities, shall be insured against fire. Vehicles and ships shall be insured against all risks, where in principle, the amount of insurance shall not be less than the mortgage value of the collateral and the insurance policy shall indicate the Company as the beneficiary. The handling personnel shall pay attention to the premium date and notify the borrower to continue payment for the insurance premium before the expiration date.

- IV. The finance unit shall establish a logbook for all endorsement/guarantee items. After approval for the endorsement/guarantee is obtained from the Board of Directors or the Chairman, in addition to applying for seals in accordance to the Procedures, detailed information such the entity for which the endorsement /guarantee is made, the amount, the date of resolution by the Board of Directors or by authorization of the Chairman, the date of the endorsement/guarantee, and matters to be carefully evaluated under provision shall be recorded in details in the logbook. The relevant bills, agreements and other documents shall also be photocopied and kept in proper custody.
- V. The finance unit shall compile a detailed list of the guarantees that occur and write off each month, so as to control the tracking and handle the disclosures. It shall also assess and recognize the contingent loss of the endorsements/guarantees on a quarterly basis, and disclose the information on endorsement and/or guarantee in the financial report and provide relevant information to the certified public accountant (CPA).
- VI. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements, or the amount of endorsement/guarantee exceeds the limit in accordance to the Procedures, the amount or exceeding portion of the amount for such recipient shall be eliminated upon expiry of the agreement or eliminated after a specific timeline after the Chairman approves the rectification plan drawn up by the finance unit. The rectification plan shall be submitted to the Audit Committee and accomplished in accordance to the schedule set out in the plan, and reported to the Board of Directors.
- VII. After expiration of the endorsement/guarantee period, the handling personnel of finance unit shall actively inform the entity for which the endorsement/guarantee is made to retrieve guarantee notes retained in the bank or creditor institution, record the cancellation to the endorsement/guarantee in relevant contracts, or obtain the records of collection of negotiable instruments to discharge the endorsement/guarantee records.
- VIII. In the event that an entity for which an endorsement/guarantee is made is a subsidiary whose net worth is less than one-half of the its paid-in capital, the Company shall track the financial status of the aforementioned entity on a

quarterly basis. When irregular circumstances are found in the course of tracking, members of the Audit Committee shall be notified in writing on the recommended handling and appropriate measures and the Audit Committee shall be updated regularly thereafter.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation pursuant to subparagraph 8 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

**Article 7: Internal control**

- I. The Company's internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Audit Committee in writing of any material breach found.
- II. The Company shall handle endorsements/guarantees in accordance to the Procedures and if any material breach is found, the relevant manager and handling personnel shall be subjected to disciplinary actions proportional to the gravity of the breach.

**Article 8: Procedures of use and custody of seals**

- I. The Company shall use the seal registered with the Ministry of Economic Affairs for the exclusive use for endorsement/guarantee. The seal shall be under the safekeeping of special personnel and the use of seals in the processing of endorsements and/or guarantees or issuance of negotiable instruments shall be in accordance to the "Seal Usage Management." The appointment, and any change hereto, shall be approved by the Board of Directors.
- II. When making a guarantee for a foreign company, the Company shall have the guarantee agreement signed by a person authorized by the Board of Directors.

**Article 9: Procedure for disclosure**

- I. The Company shall disclose the previous month's loan balances of itself and subsidiaries by the 10th day of each month.  
"Disclose" as referred to in the Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
- II. The Company shall announce and report such event within two days commencing immediately from the date of occurrence when endorsements/guarantees reach one of the following levels:
  - (I) The total balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.

- (II) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - (III) The balance of endorsements/guarantees by the Company and its subsidiaries for a single firm reaches NT\$10 million or more and the total amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such firm reaches 30% or more of the Company's net worth as stated in its latest financial statement.
  - (IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.
- III. The Company shall disclose on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to disclose pursuant to Subparagraph 4 of the preceding paragraph.

"Date of occurrence" as referred to in the Procedures means the date of contract signing, date of payment, date of Board of Directors resolutions, or other date that can confirm the counter-party and monetary amount of the transaction, whichever date is earlier.

**Article 10:** The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports. In addition, the Company shall provide the CPA with relevant information, for implementation of necessary audit procedures and issuance of audit report.

**Article 10-1:** A foreign company as specified under Article 165-1 of the Securities and Exchange Act (hereinafter referred to as the "foreign company") shall comply mutatis mutandis with these Procedures when making endorsements or guarantees for others.

If the foreign company does not have seal, it may be exempted from application of the provisions of Paragraph 1 of Article 8.

Net worth of a foreign company as calculated under these Procedures means the balance sheet equity attributable to the owners of the parent company.

**Article 11: Other important matters**

- I. Where a subsidiary of the Company intends to make endorsements/guarantees, the Company shall request the subsidiary to formulate its own "Procedures for Endorsement and Guarantee" in accordance to the Procedures. The formulated procedures shall be implemented after it had been submitted to the Audit Committee and/or Board of Directors and/or Shareholders' Meeting and approved. The subsidiary shall handle the endorsements/guarantees in accordance with the applicable procedures established by such subsidiary.

- II. The subsidiary shall report the balance of endorsements/guarantees, entity for which the endorsement/guarantee is made, and duration of the endorsements/guarantees to the Company before the fifth day of every month. However, when endorsements/guarantees reach the levels as set out in Paragraph 2 of Article 9, the subsidiary shall notify the Company immediately so as to facilitate disclosures.
- III. The Company's internal auditors shall audit the applicable Procedures for Endorsement and Guarantee established by the subsidiaries and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the Audit Committee in writing of any material breach found.
- IV. Matters not set forth in the Procedures shall be dealt in accordance with relevant laws and regulations and relevant regulations of the Company.

**Article 12: Implementation and revision**

The Procedures, and any amendments hereto, shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution before submitting to the Shareholders' Meeting for approval.

If approval of more than one-half of all Audit Committee members is not obtained pursuant to the preceding paragraph, 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 paragraph 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

When the Procedures is submitted to board meeting for discussion pursuant to the preceding paragraph, opinions from each independent director shall be considered thoroughly. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the board meeting.