

# **Eastern Media International Corporation Operational Procedures for Endorsements/Guarantees**

Amended as of the shareholders meeting of May 11, 2017

## **I. Purpose**

In order to strengthen the financial management of endorsement and guarantee and reduce operating risks, these Procedures are stipulated in accordance with the relevant handling criteria announced by the securities authority.

## **II. Scope of application**

Endorsements/guarantees referred to in these operating procedures include:

### **1. Financing endorsement/guarantee**

- (1) Bill discount financing.
- (2) An endorsement or guarantee for the purpose of financing other companies.
- (3) For the purpose of financing for the Company, another bill is issued to a non-financial enterprise as a guarantee.

2. Customs duty endorsement/guarantee: This is the endorsement or guarantee of the Company or other companies regarding customs duty matters.

3. Other endorsements/guarantees: Those which cannot be classified into endorsements or guarantees of the first two items.

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.

## **III. Counterparties of Guarantees and Endorsements**

Entities for which the Company may make endorsements/guarantees are limited to 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 public company.
4. Those that are mutually protected under contractual requirements based on the needs of the contractor.
5. Companies that are jointly endorsed by its shareholders in accordance with their shareholding ratios.

6. Those subject to performance guarantees for pre-sale contracts under the Consumer Protection Act.

The capital contribution referred to in the preceding paragraph refers to the company's direct capital contribution or capital contribution through a subsidiary that holds 100% of the voting shares.

#### IV. Amount of Endorsement or Guarantee

1. The total amount of the company's external endorsement/guarantee is limited to 400% of the company's net value of the most recent financial statements.
2. Regarding endorsements/guarantees to a subsidiary or parent company whose comprehensive shareholding reaches 50%, the amount of the single enterprise endorsement/guarantee shall not exceed 400% of the net value of the Company's latest financial statements.
3. Where the Company engages in endorsements/guarantees due to business relationships, the amount of a single enterprise endorsement/guarantee shall not exceed the total amount of business transactions between the two parties in the most recent year or the most recent year, whichever is higher.
4. 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, the amount of a single enterprise endorsement/guarantee shall not exceed 50% of the net value of the company's most recent financial statements.
5. The Company and its subsidiaries as a whole may endorse a total amount of guarantees to the limit of 500% of the Company's net value in the most recent financial statements.
6. Regarding endorsements/guarantees to a subsidiary or parent company whose comprehensive shareholding reaches 50%, the amount of the single enterprise endorsement/guarantee by the

Company and its subsidiaries as a whole shall not exceed 400% of the net value of the Company's latest financial statements.

7. Where the Company and its subsidiaries as a whole are engaged in endorsements/guarantees due to business relationships, the amount of the endorsement/guarantee shall not exceed 100% of the net value of the company's latest financial statement.
8. Where the Company and its subsidiaries as a whole fulfill 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, the amount of a single enterprise endorsement/guarantee shall not exceed 100% of the net value of the company's most recent financial statements.

The net value of the most recent financial statements in the preceding paragraph refers to the equity attributable to the parent company prepared in accordance with international accounting standards.

V. Hierarchy of Decision-Making Authority and Delegation Thereof

1. When the Company handles endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting. With the consent of more than half of all members of the Audit Committee, it will be processed after resolution and approval by the Board of Directors. However, in order to meet the need for timeliness, if the amount of each endorsement guarantee is within NTD 30 million the Chairman shall be authorized to make a decision first, and then submit it to the Audit Committee and the Board of Directors for ratification. If approval of one-half or more of all Audit Committee members is not obtained, it may be implemented if approved by two-thirds or more

of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

2. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/Guarantees 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 Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit. In the aforementioned endorsement/guarantee matters during Board discussion the Board of Directors shall take into full consideration each independent director's opinions and include their clear opinions of agreement or opposition and the reasons for their opposition in the Board of Directors records.
3. When the Company engages in endorsements/guarantees, upon the resolution of the Board of Directors, the endorsed company may charge a handling fee based on the actual amount and period used.

#### VI. Procedures for Making Endorsements/Guarantees

1. When handling the endorsement guarantee, the business supervisory unit shall, according to the application of the endorsement guarantee object, review whether their qualifications and quotas meet the requirements of this operating procedure and whether they have reached the standards that should be announced. It shall also analyze the operation, financial and credit status of the object of endorsement to assess the risks of the endorsement and make records, and obtain collateral when necessary. After stating the content, reasons and risk assessment results of the relevant endorsement guarantee, passing it to the Chairman of the Board for approval, and submitting it to the Board of Directors for discussion and approval, if it is still within the prescribed authorization limit, the Chairman will make a decision based on the creditworthiness and financial status of the endorsement counterparty.

2. The financial unit shall establish a log book for the endorsement and guarantee matters, and shall include the committed guarantee matters, the name of the company to be guaranteed, the risk assessment result, the amount of the endorsement guarantee, the content of the collateral obtained and the conditions and dates for releasing the endorsement guarantee liability, etc. The details shall be posted for future reference, and the relevant bills, agreement and other documents shall also be photocopied for safekeeping.
3. The Company shall comply with the Financial Accounting Standards Bulletin No. 9 in evaluating or recognize the contingent loss of the endorsement/guarantee and disclose the endorsement/guarantee information in the financial report appropriately, and it shall provide relevant information to the CPA to perform the necessary verification procedures. The financial unit shall prepare a detailed list of the guarantee events that occur and cancel each month to control tracking and handle announcements.
4. If the endorsement/guarantee counterparty originally meets the requirements of these Operating Procedures and the Company does not comply with the regulations due to changes in circumstances, or the amount of the endorsement guarantee exceeds the set limit due to changes in the basis for calculating the limit, the financial unit should formulate an improvement plan and send it to the Audit Committee, and after submitting it to the Board of Directors, it shall complete the improvement according to the planned schedule.
5. Before the end of the endorsement/guarantee date the financial unit shall take the initiative to notify the guaranteed company to take back the guarantee notes held by the bank or creditor's institution and cancel the relevant deed of endorsement/guarantee.
6. Relevant responsible departments shall comply with generally accepted accounting principles, assess the endorsement/guarantee situation and whether it is necessary to provide adequate allowance for bad debts, and disclose relevant information in the financial report appropriately, and provide relevant information to the CPA to perform the necessary verification procedures.
7. When the company endorses a subsidiary with a net worth less than one-half of the paid-in capital, it should review the necessity and

rationality of the endorsement and evaluate the risks of the endorsement. It should review whether to continue to provide financial support or help them improve their financial operations. When necessary, the Company may request the provision of collateral based on the amount of its endorsement/guarantee that exceeds the Company's comprehensive shareholding ratio. The collateral must not be returned until the endorsement/guarantee responsibility is lifted or the net value of the subsidiary has increased to one-half of the paid-in capital. If the stock of the subsidiary has no par value or the par value per share is not NT\$10, the paid-in capital calculated in this item shall be the total of share capital plus capital reserve-issue premium.

#### VII. Seal storage and procedures

1. The Company shall use the company seal applied for registration with the Ministry of Economic Affairs as the special seal seal for endorsement and guarantee. The seal shall be kept by a designated person after the approval of the Board of Directors. When the seal custodian changes, it shall be reported to the Board of Directors for approval, and the seals kept in custody shall be included in the transfer.
2. The endorsement guarantee shall be in accordance with the company's prescribed printing procedures before the certificate can be printed or issued. The financial unit shall fill in the "application form for printing", together with the approval record and the endorsement guarantee contract or guarantee receipts and other printing documents approved by the financial supervisor. The seal shall only be obtained from the seal custodian.
3. When the seal manager uses the seal, he or she should check whether there is an approval record, whether the "application form for seal use" has been approved by the financial supervisor and whether the application documents for the seal match, after which the seal can be used.
4. When guaranteeing a foreign company, the letter of guarantee issued by the Company is to be signed by the Chairman or General Manager as authorized by the Board of Directors.

#### VIII. Announcing and reporting procedures

1. The authority responsible for the announcement shall make an

announcement before the tenth of each month to declare the balance of the endorsements/guarantees of the Company and its subsidiaries in the prior month.

2. If endorsements/guarantees meet one of the following standards, they shall be announced within two days from the date of occurrence:
  - (1) The Company and its subsidiaries made endorsements /guarantees where the balance reached more than 50% of the Company's most recent net value of financial statements.
  - (2) The company and its subsidiaries endorsed a single company with a guarantee balance of more than 20% of the Company's net value in the most recent financial statement.
  - (3) The Company and its subsidiaries have endorsed a single company with a balance of more than NT\$10 million and the total amount of the endorsement/guarantee, long-term investment, and capital loan and balance of the company's latest financial statement reaches above 30%.
  - (4) The newly-added endorsement/guarantee amount of the Company or its subsidiaries amounts to more than NT\$30 million and more than 5% of the net value of the Company's latest financial statements.

If a subsidiary of the company is not a domestic public offering company, if the subsidiary has the matters mentioned in the preceding paragraph that should be announced and declared, this should be done by the Company.

IX. Procedures for controlling and managing endorsements/guarantees by subsidiaries

1. The Company's subsidiaries that directly and indirectly hold more than 90% of the voting shares may be endorsed, but the amount shall not exceed 10% of the Company's net worth. However, this limitation is not applicable to the inter-subsidiary endorsement guarantee between the company directly and indirectly holding 100% of the voting shares. Before the Company's subsidiaries that directly and indirectly hold more than 90% of the voting shares are endorsed and guaranteed, they must report to the company's Board of Directors for a resolution. However, this limitation is not applicable to the inter-subsidiary endorsement guarantee between the

Company directly and indirectly holding 100% of the voting shares. Subsidiaries of the Company may set the amount of endorsement guarantee according to their needs, but if the cumulative balance of the endorsement guarantee for a single object reaches 10% of the Company's net worth, it should be submitted to the Company's Board of Directors for a resolution. However, the object of the endorsement is not limited to the Company or the Company's subsidiary that directly and indirectly holds 100% of the voting shares.

2. If a subsidiary of the company intends to apply for an endorsement/guarantee, it shall be implemented according to the Company's "Operational Procedures for Endorsements /Guarantees." Subsidiaries shall report to the company the amount, object, and time limit for the endorsement guarantee before the fifth of each month. However, if the standard set in point 2 is reached, the Company shall be notified before the occurrence of the fact to facilitate the Company's handling of the announcement.
3. Each business department is responsible for supervising the status of endorsement/guarantees of subsidiaries. If a major violation is found, it should be reported to the Chairman in writing immediately and instructions should be followed for proper handling.

X. Other Matters

1. The Company's internal auditors shall audit and endorse the Operational Procedures for Endorsements/Guarantees and their implementation at least quarterly and make a written record if a major violation is found. The Audit Committee should be notified in writing immediately.
2. Regarding penalties for managers and sponsors who violate the company's Operational Procedures for Endorsements/Guarantees, they shall be handled in accordance with the relevant provisions of the Company's employee work rules for rewards and punishments.
3. These Operating Procedures shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution; and they shall be implemented after submission to the shareholders meeting for approval. The same shall apply for amendments. During the Board discussion, the Board of Directors shall take into full consideration each independent



director's opinions and include their clear opinions of agreement or opposition and the reasons for their opposition in the Board of Directors records. If an independent director objects to or expresses reservations about any matter, the Company shall send these objections to each independent directors and report it to the shareholders meeting for discussion.

4. When the Company handles fund loans to others, they shall be handled in accordance with the provisions of these standards. However, if other laws provide otherwise, those regulations shall be followed.