

NOVA TECHNOLOGY CORP.

Procedures for Endorsements and Guarantees

Article 1 Purpose and Legal Basis

This procedure is established in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” for the purpose of ensuring shareholder interest, sound financial management and reduction of operational risk. Any endorsement or guarantee by the company shall be done in accordance with this procedure.

Article 2 Scope of Application

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

2.1 Financing endorsements and guarantees including:

2.1.1 Bill discount financing.

2.1.2 According to Article 3 to endorsement or guarantee for the purpose of obtaining financing for another company.

2.2 Contract endorsement and guarantee mean endorsement and guarantee performed for the company within the scope of contractual responsibility of the company refer to Article 3.

2.3 Customs endorsement and guarantee mean endorsement and guarantee performed for customs-related matters of the company refer to Article 3.

2.4 Any chattel or real estate provided by the company with pledge or mortgage created as guarantee for borrowing by another company refer to Article 3 shall be done in accordance with this procedure.

2.5 Other endorsements and guarantees meaning endorsements or guarantees beyond the scope of the above subparagraphs.

Article 3 Applicable Entities

The Company may make endorsements and guarantees for the following companies:

3.1 Companies with business dealings with the company.

3.2 Companies in which the public company directly and indirectly holds more than 50% of the voting shares.

3.3 Companies that directly and indirectly holds more than 50% of the voting shares in the public company.

3.4 Companies based on reciprocal guarantee in accordance with contract among companies of the same industry or co-constructors due to project contracting requirements or endorsement and guarantee undertaken by all investing shareholders to their invested company in accordance with their shareholding ratios.

3.5 Companies of which 90% or more voting shares are directly or indirectly held by the company may provide endorsement and guarantee for each other. The amount of an endorsement and guarantee shall not exceed 10% of the net value of the company but Companies of which 100% voting shares are directly or indirectly held by the company may be made free of the restriction of the above paragraphs.

Article 4 Amount Limit and Evaluation Standard of Endorsement and Guarantee

4.1 The total amount of liability, standard of amount limit and amount for the company’s external endorsement and guarantee are as follows:

- 4.1.1 The total amount of a reciprocal guarantee among companies of the same industry in accordance with contract for project contracting requirement shall not exceed 3 times the net value of the company. The amount of endorsement and guarantee to any single enterprise shall not exceed 2 times the company's net value.
 - 4.1.2 Other than a guarantee for project contracting, the accumulated amount of liability under external endorsement and guarantee for other companies that not directly or indirectly be owned by the company shall not exceed 3 times of the net value of the company. The amount of endorsement and guarantee for any single enterprise shall not exceed 2 times of the company's net value.
 - 4.1.3 In the case of endorsement and guarantee to companies or firms who have a business relationship with the Company, the total endorsement and guarantee amount of an individual company or firms shall not exceed the total amount of the business transactions between the Company and the individual company or firms. The "total amount of the business transactions" refers the amount of purchases or sales during the recent year or the estimate for the next year, whichever is higher.
- 4.2 The total amount of liability, amount limit standard and amount for external endorsement and guarantee by the company and its subsidiaries are as follows:
 - 4.2.1 For a reciprocal guarantee in accordance with a contract by the company the total amount shall not exceed 5 times the net value of the company. The amount of an endorsement and guarantee to any single enterprise shall not exceed 3 times the company's net value. The total amount of an endorsement and guarantee for companies and subsidiary exceed 50% of the company's net value should reported to the shareholder's meeting about necessity and rationality.
 - 4.2.2 Other than the endorsement and guarantee under the previous subsection, the accumulated total amount of liability under external endorsement and guarantee shall not exceed 5 times of the net value of the company. The amount of endorsement and guarantee to any single enterprise shall not exceed 2 times of the company's net value.
 - 4.3 The above company net value in these Procedures means the balance sheet equity attributable to the owners of the company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5 Definition

- 5.1 Definition of Subsidiary:
Subsidiary and parent company as referred to in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 5.2 Definition of Group company
Group company as referred to in these Procedures shall be as determined under the "Specific company, Related person and Group company transaction operating procedures" (Article 12.1).

Article 6 Procedure for Endorsement and Guarantee

- 6.1 In processing an endorsement and guarantee, the relevant department shall submit an endorsement and guarantee application form(13.1), specifying the beneficiary of the endorsement and guarantee, type, reason and amount. The application shall be filed

with the finance department of the company. The finance department shall review the application under the endorsement and guarantee application form item by item and make report to Superior approve.

- 6.2 The finance department shall follow procedure to review the application under the endorsement and guarantee application form item by item and make records. The following shall be included:
 - 6.2.1 Necessity and reasonableness of the endorsement and guarantee.
 - 6.2.2 Credit and risk evaluation of the beneficiary of endorsement and guarantee.
 - 6.2.3 Impact on the company's operational risk financial status and shareholder interest.
 - 6.2.4 Whether collateral should be required and the evaluation value of the collateral.
- 6.3 The finance department shall submit the endorsement and guarantee application stating the relevant scope of endorsement and guarantee, reason and risk evaluation to the chairman for approval. Then a board resolution shall be required. If the proposal is within the authorized amount, the chairman may decide based on the credit level and financial status of the beneficiary of the endorsement and guarantee.
- 6.4 If the beneficiary of the company's endorsement and guarantee is consistent with this procedure but subsequently becomes inconsistent, or if the amount of endorsement and guarantee exceeds the regulated amount due to change of amount limit calculation basis, an improvement plan shall be established for the amount of the endorsement and guarantee for such beneficiary or the portion exceeding the limit to eliminate the inconsistencies. The relevant improvement plan shall be sent to audit committee.

Article 7 Establishment of Reference Book

The finance department shall establish a reference book for endorsement and guarantee matters. After the endorsement and guarantee are approved by the board of directors or decided by the chairman, in addition to filing a request for use of seal, the beneficiary and amount of the endorsement and guarantee, the date of board approval or chairman's decision and the date of the endorsement and guarantee shall be recorded in detail for future reference.

Article 8 Custody of Sample Seal and Procedure for Use

- 8.1 The company shall use the company seal registered with the Ministry of Economic Affairs to be the dedicated seal for endorsements and guarantees. Such seal and relevant instruments shall be kept by dedicated staff designated by the chairman under the authorization of the board of directors. Any change of seal safe-keeper shall be reported to and approved by the board of directors and the seal under the custody shall be handed over.
- 8.2 After the endorsement and guarantee approved by board of director or chairman, finance department shall fill Stamp application form(13.3) with approved record and endorsement and guarantee application form or guarantee notes to financial manager to seal document.
- 8.3 When the Seal safe-keeper uses the seal, it should check whether there is an approval record and whether the application for stamp application is approved by the financial manager and the documents are in conformity.
- 8.4 If the subsidiary of the company intends to endorse the guarantor for others due to business needs, if the subsidiary is established abroad, the seal of the endorsement certificate shall be changed to the local registered company seal as the endorsement

guarantee special seal.

- 8.5 If the company provides any guarantee for any overseas company, the guarantee letter issued shall be signed by the chairman or president under the authorization of the board of directors.

Article 9 Decision and Authorization Level

- 9.1 When the company provides an endorsement and guarantee, approval procedures shall be carried out in accordance with Article 6 of this procedure and the endorsement and guarantee shall only be provided after board resolution. However, to meet timing requirements, any single endorsement and guarantee between parent companies and subsidiaries below NT\$200 million (inclusive)(guarantee in accordance with contract for project contracting requirement is below NT\$200 million (inclusive))may be executed by the chairman first with the authorization from the board of directors and then submitted to next the board of directors for ratification.
- 9.2 Any single endorsement and guarantee between the companies and subsidiaries below NT\$1 Billion (inclusive) may be executed by the chairman first with the authorization from the board of directors and then submitted to next the board of directors for ratification.
- 9.3 If the company provides any endorsement and guarantee exceeding the amount limit provided under the previous article due to business requirements and if the conditions under the endorsement and guarantee procedure of the company are complied with, approval from the board of directors shall be required and the majority of directors shall provide a joint guarantee for the loss that may arise out of the company's exceeding the limit. This procedure shall also be amended and submitted to the shareholder meeting for ratification. If the shareholder meeting does not approve, a plan shall be established with a certain deadline to remove the exceeding portion.
- 9.4 Any subsidiary of which 90% or more voting shares are directly or indirectly held by the company can only provide endorsement and guarantee in accordance with Article 3.5 after submission to and resolution by the board of directors of the company, except endorsement and guarantee among companies whose 100% voting shares are directly or indirectly held by the company.

Article 10 Procedure for Public Announcement

- 10.1 The company shall make a public announcement about the balance amount of endorsement and guarantee by the company and its subsidiaries for the previous month within the 10th day of every month. And provide relevant information on a monthly basis information to the parent company of the group.
- 10.2 When the balance amount of endorsement and guarantee reaches to “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” Article 25 paragraph 1 by the company and its subsidiaries, a public announcement shall be made within 2 days commencing immediately from the date of occurrence. And provide relevant information on a monthly basis information to the parent company of the group.
- 10.3 “Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty about endorsements and guarantees and monetary amount of the transaction, whichever date is earlier.

Article 11 Other Matters

11.1 Control Procedure for Endorsement and Guarantee by Subsidiary

11.1.1 If any subsidiary of the company contemplates to provide an endorsement or guarantee for any other person, the company shall ensure that such subsidiary proceed in accordance with the endorsement and guarantee procedure established in accordance with the “ Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies” by the Securities and Futures Bureau.

11.1.2 If any subsidiary of the company contemplates to provide an endorsement or guarantee for any other person, the subsidiary should submit relevant information to the company and parent company of the group. The subsidiaries that contemplate to provide any endorsement or guarantee for any other person shall only do so following report to and approval from the subsidiaries board of director.

11.1.3 The internal audit staff of the company shall perform regular audit on its subsidiaries about the compliance with their “Endorsement and Guarantee Procedure”. After the discoveries and suggestions of the audit report are submitted for approval, the audited subsidiary shall be informed for improvement. Regular follow-up reports shall also be prepared in order to ensure that appropriate and timely improvement measures have been undertaken.

11.2 The internal audit staff of the company shall perform audit on the procedure of endorsements and guarantees and the execution regularly. Written records shall be made. If any significant violation is discovered, audit committee shall be informed in writing immediately.

11.3 If any manager or responsible staff of the company carrying out any endorsement or guarantee violates the Procedure sanctions shall be imposed based on the gravity of the matter in accordance with the company’s management rules and regular audit reports shall be filed.

11.4 The finance department shall prepare a detailed table about the guarantee matters that occurred or cancelled during each month to facilitate control, follow-up and public announcements. In addition, according to “ Regulations Governing the Preparation of Financial Reports by Securities Issuers “ the probable loss from the endorsement and guarantee shall be evaluated or recognized, and the endorsement and guarantee information shall be properly disclosed in the financial reports relevant information shall be provided to the certifying accountant to execute necessary audit procedure.

11.5 Prior to the expiry date of the endorsement and guarantee, the finance department shall take the initiative to inform the beneficiary enterprise of the guarantee to take back guarantee notes left with the bank or the creditor institution and cancel instruments related to the endorsement and guarantee.

11.6 If the beneficiary of the endorsement and guarantee is a subsidiary with net value that is less than 1/2 of the paid-in capital, the subsequent relevant control measures shall be specified and the control measures shall be reported to the next board of directors. 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 under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in

excess of par shall be substituted.

Article 12 Implementation and Amendment

- 12.1 This procedure shall be implemented following approval by more than half of all audit committee members, submission to the board of directors for further approval and submission to the shareholder meeting for approval. If any director voices any objection by recording or written statement, the company shall also submit the objection to audit committee and shareholder meeting for discussion. The procedure shall be applicable to any amendment hereof.
- 12.2 If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, 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.
- 12.3 12.1 All members of the Audit Committee and all board of directors referred to the above paragraph are calculated by the actual incumbent.
- 12.4 When the endorsement and guarantee procedure is submitted to the board of directors for discussion in accordance with the previous section, opinions from each independent director shall be fully taken into consideration the opinions. 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.