

# **Pili International Multimedia Co., Ltd.**

## **Procedure for Making of Endorsements/Guarantees**

### **Article 1**

The Company shall adhere to the provisions of this Procedure when making external endorsements/guarantees. Any matters not covered under this Procedure shall be governed by the relevant laws and regulations.

### **Article 2**

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

I. A company it does business with.

II. A company in which the Company directly and indirectly holds more than 50% of the voting shares.

III. A company that directly and indirectly holds more than 50% 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 Company. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

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.

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

### **Article 2-1**

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

Where the financial report of the Company was prepared in accordance with the International Financial Reporting Standard, net worth in this Procedure refers to the

shareholder equity of the parent company given in the balance sheet prepared in accordance with the “Regulations Governing the Preparation Reports by Securities Issuers.”

The term "announce and report" as used in this Procedure refers to the entry of data 2 into reporting website designated by the Financial Supervisory Commission (FSC). The term "date of occurrence" mentioned in the Procedures shall be determined as the earlier between the contract signing date, the payment date, the board resolution date, and any other dates when the beneficiary of guarantee/endorsement and the transaction amount can be confirmed with certainty.

### Article 3

The term "endorsements/guarantees" as used in this Procedure refers to the following:

I. Financing endorsements/guarantees, including:

1. Bill discount financing.
2. Endorsement or guarantee made to meet the financing needs of another company.
3. 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, meaning an endorsement or guarantee for the Company or another company with respect to customs duty matters.

III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two sub-paragraphs.

The pledging or mortgaging of chattel or real property by the Company as security for the loans of another company shall also comply with this Procedure.

### Article 4

Ceiling of endorsements/guarantees:

- I. The aggregate amount of endorsements/guarantees made by the Company may not exceed 50% (exclusive) of the Company's net worth.
- II. The aggregate amount of endorsements/guarantees made by the Company for a single company may not exceed 50% (exclusive) of the Company's net worth.
- III. The overall amount of endorsements/guarantees made by the Company and subsidiaries may not exceed 50% (exclusive) of the Company's net worth.
- IV. The overall amount of endorsements/guarantees made by the Company and subsidiaries for a single company may not exceed 50% (exclusive) of the Company's net worth.

Net worth shall be as stated on the most recent financial reported audited, attested or reviewed by the CPA.

The ceiling on endorsements/guarantees made by subsidiaries in which the Company

directly or indirectly holds 100% of the voting shares is not bound by the aforementioned net worth ceilings for single companies and the company being endorsed/guaranteed.

If the ceiling on the aggregate amount of endorsements/guarantees that the Company and its subsidiaries can make is 50% or more of the Company's net worth, its necessity and reasonableness must be explained to the shareholders meeting.

If the endorsements/guarantees made by the Company must exceed the ceiling set in the preceding paragraph due to business requirements and the conditions of the company procedure for endorsements/guarantees are satisfied, the proposal must be

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submitted to the Board of Directors for approval. More than half of all directors must also act as joint guarantors for any losses that the Company may suffer for exceeding this ceiling, amend this procedure and submit the decision to the shareholders meeting for ratification; if the proposal is rejected by the shareholders meeting, the Board of Directors must be notified to draw up a plan for eliminating the excess within a set period of time.

When the above matter is under discussion by the Board of Directors, the opinions of each independent director must be taken under full consideration. Their consent or dissent as well as the reason for dissent shall be recorded in the Board minutes.

#### Article 4-1

When the Company makes an endorsement/guarantee for a company it has business dealings with, the standard for evaluating the endorsement amount and amount of business transactions shall be as follows:

- I. The amount of business transactions for customers of the Company's physical products, shows and audio-video copyrights, or vendors with whom the Company has business dealings with, shall be based on the amount of sales or purchases made by the Company in one year, whichever is higher.
- II. The amount of business transactions for customers of services provided by the Company, and business agents of the Company shall be based on the contractual amount of services, commercial performances and product endorsements provided by the Company in one year.
- III. The amount of business transactions for customers that license the Company's copyright (including but not limited to original artistic content, music, audio-video content, recorded content, written content, and video content) shall be based on the total amount of royalties or contract payments in one year, whichever is highest.

#### Article 5

If changing circumstances result in the subject of the Company's

endorsement/guarantee later becoming non-compliant with Article 2 of this Procedure,

or where a change in the basis for the calculation of the endorsement/guarantee amount results in the ceiling being exceeded, an improvement plan shall be formulated, submitted to the Audit Committee and independent directors for approval, and corrective action completed according to the planned timetable.

#### Article 6

When the Company makes external endorsements/guarantees, the review and handling procedure as well as the decision-making and delegation level shall be as follow:

Before making external endorsements/guarantees, the Company should carefully evaluate their compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” issued by the competent authority for securities and the provisions of this Procedure. The financial unit shall also carefully review the necessity and reasonableness of the endorsement/guarantee, the credit and risk assessment of the endorsement/guarantee subject, the effect on the Company’s operational risks, financial condition and shareholders’ rights and interests,

whether collateral is being offered and the appraised value of the collateral. The evaluation results shall be submitted along with the opinions of the relevant

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departments to the Board of Directors for determination. Endorsements/guarantees under NT\$30 million (inclusive) can be decided by the Chairman then submitted to the next shareholders meeting for ratification; endorsements/guarantees of NT\$30 million may only proceed with the approval of the Board of Directors.

Endorsements/guarantees for a company in which the Company directly or indirectly holds over 90% of the voting shares in accordance with Article 2, Paragraph 2, shall be submitted to the Board of Directors of the Company for determination before they can proceed. This does not apply to endorsements/guarantees of subsidiaries in which the Company directly or indirectly holds 100% of voting shares.

If the Company or subsidiary is making an endorsement/guarantee for a subsidiary whose net worth is less than 50% of its paid-in capital, financial personnel handling the matter shall compile and submit a summary of changes in the amount of endorsement/guarantee and its outstanding balance to the Chairman for review; if the business situation at the subsidiary continues to deteriorate or there is endorsement/guarantee risk, the matter shall be reported to the Chairman immediately and a plan for reducing endorsement/guarantee risk proposed. Auditors shall audit the endorsement/guarantee procedure and its execution at least once every quarter and a

written record produced. If a material violation is discovered then all independent directors shall be notified in writing right away.

In the case of subsidiary shares having no par value or a par value other than NT\$10, the calculation of paid-in capital in accordance with the preceding paragraph shall instead use the sum of the share capital plus paid-in capital in excess of par.

The financial department shall create a log book and keep a record of all matters relating to the endorsements/guarantees made by the Company in accordance with the relevant laws and regulations.

The accounting department shall follow the general accounting principles in assessing and recognizing endorsements/guarantees or associated losses, and provide appropriate disclosure of endorsements/guarantees in the financial report. The relevant information shall also be provided to the CPA so that the necessary auditing procedures can be conducted to issue a proper audit report.

#### Article 7

The Company may require collateral from the company being endorsed/guaranteed.

#### Article 8

The relevant bills and company chops shall be placed in the custody of different personnel. The stamping or signing of bills shall follow the operating procedure laid down by the Company. The relevant personnel and any changes in personnel shall be designated by the Chairman.

The chop used exclusively for endorsements/guarantees can be the company chop registered with the Ministry of Economic Affairs.

Its custodian and any changes in the custodian require the approval of the Board of Directors.

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When making endorsements for foreign companies, the letter of endorsement issued by the Company shall be signed by the Chairman or his/her authorized representative.

#### Article 9

The Company shall announce and report the balance of endorsements/guarantees made by the Company and subsidiaries in the preceding month by the 10th of each month.

If an endorsement/guarantee made by the Company reaches any of the following thresholds then it must announced and reported within 2 days of the date of occurrence.

I. The balance of endorsements/guarantees made by the Company and subsidiaries has exceeded 50% of the Company's net worth according to the most recent financial report.

II. The balance of endorsements/guarantees made for a single enterprise by the

Company and subsidiaries has exceeded 20% of the Company's net worth according to the most recent financial report.

III. When the balance of endorsements and guarantees offered to a single business by the Company and subsidiaries aggregate to NTD 10 million or above, while the balance or book value of endorsements, guarantees, equity-accounted investments and loans to the business amounts to more than 30% of the Company's net worth, as shown in the latest financial statements.

IV. The amount of new endorsements/guarantees made by the Company or subsidiaries has exceeded NT\$30 million and also exceeded 5% of the Company's net worth according to the most recent financial report.

If a subsidiary of the Company is not publicly listed domestically and is required to make a report under Paragraph 4 of the preceding article, the Company shall act on its behalf.

The Company shall adhere to the relevant regulations requiring the reporting of endorsements/guarantees to the competent authority, or their announcement. If a subsidiary of the Company is not publicly listed domestically but has statutory reports/announcements to make, the Company shall act on its behalf.

#### Article 10

When a subsidiary of the Company intends to endorse/guarantee other parties, the Company shall direct the subsidiary to formulate a procedure for endorsements and guarantees, and submit them in accordance with regulations to its board of directors and shareholders for adoption. The subsidiary shall then directed to follow the adopted procedure. When a subsidiary of the Company made endorsements/guarantees for other parties, the details of such endorsements/guarantees shall be compiled and submitted to the Company for review by the 5th day of each month. Endorsements/guarantees for a company in which the Company directly or indirectly holds over 90% of the voting shares shall be submitted to the Board of Directors of the Company for determination before they can proceed. This does not apply to endorsements/guarantees of subsidiaries in which the Company directly or indirectly holds 100% of voting shares.

#### Article 11

Internal auditors of the Company shall audit the endorsement/guarantee procedure and

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its execution at least once every quarter and a written record produced. If a material violation is discovered then the Audit Committee and all independent directors shall be notified in writing right away.

#### Article 12

Company managerial officers and the personnel in charge shall adhere to the

provisions of this Procedure in their handling of endorsements and guarantees to protect the Company against losses from improper operations. For any violations of the relevant laws and regulations as well as the provisions of this Procedure, penalties will be imposed in accordance with the relevant personnel regulations of the Company.

#### Article 13

The Procedures are subject to the consent of more than 50% of Audit Committee members, and shall be resolved by the board of directors and proposed for shareholders' resolution before implementation. The same applies to all subsequent amendments.

If the majority consent of the full Audit Committee from the preceding paragraph was not granted, it may be approved by a two-thirds majority of all directors. The resolution of the Audit Committee shall also be recorded in the Board of Directors meeting minutes.

The “full Audit Committee” and “all directors” as used herein is defined as the number of members actually in office at the given time.

#### Article 14

The Company shall assess or recognize endorsements/guarantees or associated losses. Appropriate disclosure of endorsement/guarantee details shall also be made in the financial report, and the relevant information provided to the CPA for the conducting of necessary audit procedure.

#### Supplementary Provisions

This Procedure was formulated on June 28, 2012.

1st amendment to this Procedure was made on May 31, 2013.

2nd amendment to this Procedure was made on May 30, 2014.

3rd amendment to this Procedure was made on October 14, 2016

4th amendment to this Procedure was made on May 27, 2020.