

HERMES MICROVISION, INC.

Procedures Governing Management of

Endorsements and Guarantees

1. Purpose

In order to provide the reference for the Company's external endorsements and guarantees, the Company specifically sets up the Procedures.

2. Legal basis

The Procedures are set up in accordance with the "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the Financial Supervisory Commission (hereafter referred to as the FSC).

3. Applicable scope

1.1 Financing endorsements and guarantees which shall include the following:

1.1.1 Third party check discount financing

1.1.2 The endorsement or guarantee made for financing other companies.

1.1.3 The note separately made out by the Company to a non-financial business as the guarantee for financing.

1.2 The tariff endorsement or guarantee refers to the endorsement or guarantee made by the Company or other companies for tariff related matters.

1.3 Other endorsements or guarantees refer to the matters not classified in the preceding two paragraphs for endorsements and guarantees.

The pledge and mortgage processed with the movable property or immovable property provided by the Company for guaranteeing other company's loan shall be subject to the Procedures.

4. Endorsement and guarantee targets

4.1 The Company may provide endorsements or guarantees for the following companies.

4.1.1 The companies having the business relationship with the Company.

- 4.1.2 The companies with which the Company directly and indirectly holds more than 50% of their voting shares.
 - 4.1.3 The companies which directly and indirectly hold more than 50% of the Company's voting shares.
- 4.2 The Company may endorse or guarantee a company with which the Company directly and indirect holds more than 90% of its voting shares, but the amount shall not exceed 10% of the Company's net value. However, it is not limited to the endorsements and guarantees for the companies with which the Company directly and indirectly holds 100% of their voting shares.
- 4.3 In the case, as required by the Company's project undertaking or restricted by the agreement with the co-constructor, the Company has to provide mutual endorsements and guarantees for its business partners, or the Company has to endorse or guarantee an invested company with other capital contribution shareholders according to its pro-rata entitlement to the invested company due to joint venture, the Company's endorsement or guarantee shall not be restrained by the preceding two paragraphs.
- 4.4. The capital contribution referred to in the preceding paragraph is the capital directly contributed by the Company or through a company with which the Company holds 100% of its voting shares.

5. Limits of the total endorsement and guarantee amount and evaluation criteria

- 5.1 The limits of the total amount of the Company's external endorsements and guarantees and the amount of the Company's endorsements and guarantees for an individual enterprise are as follows;
 - 5.1.1 The total amount of external endorsements and guarantees shall not exceed 50% of the Company's net value.
 - 5.1.2 The amount of the endorsements and guarantees for an individual enterprise shall not exceed 20% of the Company's net value. However, if the endorsements and guarantees are made due to the business relationship, the amount shall not be over the total amount of the transactions made between the endorsed or guaranteed company and the Company in the latest year (the higher of the amount of purchase or sale shall prevail). The aforesaid "net value" shall be based on the figure shown in the latest financial statements audited and certified or reviewed by

the certified public accountant.

5.2 Limits of the total amount of the Company and its subsidiaries' endorsements and guarantees and the amount of the Company and its subsidiaries' endorsements and guarantees for an individual enterprise are as follows:

5.2.1 The total amount of endorsements and guarantees shall not exceed 50% of the Company's net value.

5.2.2 The amount of endorsements and guarantees for an individual enterprise shall not exceed 30% of the Company's net value.

5.2.3 The limits of the amounts of endorsements and guarantees for a company with which the Company directly and indirectly holds more than 90% of its voting shares and for a company with which the Company directly and indirectly holds more than 100% of its voting shares shall be subject to "4.2" of the Procedures.

6. Execution and review procedures

6.1 Execution unit

The Company's financial unit shall be responsible for the Company's endorsement and guarantee related operation. The general manager may designate other dedicating personnel to help when necessary.

6.2 Review procedure

6.2.1 Application

Those units that plan to apply for endorsements or guarantees shall provide the basic information and financial data of the target to be endorsed or guaranteed, followed by filing an application in writing to the Company's financial unit.

6.2.2 Credit investigation

6.2.2.1 After receiving the application, the Company's financial unit shall investigate and evaluate the business, financial status, solvency, credit, profitability, and the endorsement or guarantee purpose of the target to be endorsed or guaranteed, and prepare a report in accordance with the risk evaluation results.

6.2.2.2 If it is an initial endorsement or guarantee application, the business to be endorsed or guaranteed shall provide its basic information and financial data for the Company to process the credit investigation.

6.2.2.3 If it is a continuing guarantee, in principle, the credit

investigation shall be conducted again when the application for continuing guarantee is submitted. If it is a serious or emergency case, credit investigation shall be conducted at any time as the case may be.

6.2.2.4 In case that an endorsed or guaranteed business has good financial condition and its certified public accountant (CPA) has already issued the financing certification according to its annual financial statements, the investigation report which was issued less than one year ago can continue to be used and the CPA's auditing report for the period in question shall be attached as the reference for endorsement or guarantee approval.

6.2.3 Evaluation

6.2.3.1 For the endorsement or guarantee made for a company having the business relationship with the Company, the Company's financial unit shall check if the amount of the endorsement or guarantee is over both parties' trading amount.

6.2.3.2 The Company's financial unit shall review the necessity and rationality for an endorsement or guarantee case, and assess the influence on the Company's business operation, financial status and shareholders' equity.

6.2.3.3 For any endorsement or guarantee case requiring collateral, the entity to be endorsed or guaranteed shall provide collateral accordingly, for which the personnel in charge in the financial unit shall assess the value of the collateral, so as to secure the Company's credit right.

7. Rankings for policy making and authorization

7.1 The personnel in charge in the Company's financial unit shall compile aforesaid credit investigation and evaluation results and send them to the board of directors for approval, or the board of directors may authorize its chairperson to execute a case within a certain amount of limit, with which the executed case shall be submitted to the next board meeting for retroactive adoption.

7.2 Prior to giving an endorsement or guarantee in accordance with "4.2" of the Procedures, the subsidiary with which the Company directly and indirectly holds more than 90% of its voting share shall submit the

case to the Company's board of directors for approval, followed by processing it after obtaining the approval. However, it is not limited to the endorsement or guarantee to be made by a subsidiary with which the Company directly and indirectly hold 100% of its voting share.

- 7.3 When processing endorsements or guarantees, if, as required by business needs, the amount is beyond the limit set by the Regulation whereas the scope and target comply with the Company's Procedures Governing Management of Endorsements and Guarantees, it shall be approved by the board of directors, and signed by a majority of directors to give joint guarantee for the possible loss resulting from the excess amount of the endorsement or guarantee, whereas the Procedures shall also be revised and the revision shall be reported to the shareholders' meeting for retroactive adoption. In the case that the board of shareholders does not approve it, a plan to delete the excess amount within a time limit shall be set up.
- 7.4. If the Company has independent directors, the opinions from respective independent directors shall be taken into account when discussing the matters regarding endorsements and guarantees for others. At the same time, the specific affirmative and opposed opinions from independent directors as well as the reasons for objection shall be stated in the board meeting minutes.

8. Case registration and retention

- 8.1 The financial unit shall set up an endorsement and guarantee reference book, in which those who are endorsed or guaranteed, endorsement and guarantee amounts, the dates adopted by the board of directors or approved by the president for execution, endorsement or guarantee dates, the matters required to be discreetly assessed according to the Procedures, collateral content and collateral's assessed value, and terms and dates removing endorsement or guarantee liabilities, etc. shall be recorded in the book in detail for future reference.
- 8.2 Documents related to endorsements and guarantees, such as notes, contracts and agreements, etc., shall be properly retained by the financial unit.

9. Removal of endorsements and guarantees

When removing the Company's endorsement or guarantee liabilities, the financial unit shall acquire the related data to remove the Company's

guarantee liabilities, which shall be stated in the endorsement and guarantee reference book.

10. Custody and utilization of the specimen seal

The seal exclusively used for the Company's endorsements and guarantees shall be the corporate seal registered at the Ministry of Economic Affairs. It shall be in the custody of a dedicating person approved by the board of directors. The same shall also apply to any change of the seal. When processing any endorsement or guarantee, the operation procedure regulated by the Company shall be followed for affixing the seal or making out notes. For the endorsement made by the Company for a foreign company, the guarantee letter issued by the Company shall be signed by the person authorized by the board of directors.

11. Control procedure for subsidiary's making of endorsements and guarantees

11.1 In the case that a subsidiary of the Company plans to provide an endorsement or guarantee for others, the Company shall order the subsidiary to set up the procedures governing management of endorsements and guarantees in accordance with the "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the FSC, for which the subsidiary in question shall follow the set procedures to process the case.

11.2 In the case that a subsidiary of the Company plans to provide an endorsement or guarantee for others, it shall report it to the Company and obtain the Company's approval before processing the case. The Company's financial unit or the designated dedicating personnel shall concretely evaluate the necessity and rationality of the endorsement or guarantee, the risk, and the influence on the parent company and subsidiary's business operation, financial status and shareholders' equity, followed by submitting the details to the general manager and president for approval.

11.3 The financial unit shall acquire the detailed list of external endorsements and guarantees of respective subsidiaries every month.

12. Public disclosure of information

12.1 The Company shall transmit the balance amounts of its and its subsidiaries' endorsements and guarantees of the previous month to the Market Observation Post System prior to the 10th of each month.

12.2 When the Company's endorsement and guarantee reach any of the following standards, the information shall be transmitted to the Market Observation Post System within two days after the incident occurrence day.

12.2.1 The aforesaid incident occurrence day refers to the transaction contract signing day, payment day, board of directors' resolution day, or any other day in which the transaction counterparty and transaction amount are confirmed (the day occurring earlier shall prevail).

12.2.2 When the Company and its subsidiaries' endorsement and guarantee balance is over 50% of the net value shown in the Company's latest financial statements.

12.2.3 When the balance of the Company and its subsidiaries' endorsements and guarantees for an individual enterprise is over 20% of the net value shown in the Company's latest financial statements.

12.2.4 When the balance of the Company and its subsidiaries' endorsements and guarantees for an individual enterprise is over ten million NT dollars and the balance of the endorsements, guarantees, long-term investments and capital lending to the individual enterprise is more than 30% of the net value shown in the Company's latest financial statements.

12.2.5 When the increased amount of the Company and its subsidiaries' endorsements and guarantees is over thirty million NT dollars and exceeds 5% of the net value shown in the Company's latest financial statements.

13. Precautions to be taken in processing endorsements and guarantees

13.1 The Company's internal auditing personnel shall audit the operation procedure of endorsements and guarantees and the execution status, and prepare the records in writing at least once every quarter. In case of finding any material violation, they shall promptly notify the audit committee in writing.

13.2 In the case that the Company's endorsement or guarantee recipient does not meet Article 4 of the Procedure as a result of change in the circumstance, or the endorsement and guarantee amount is beyond the limit set up in Article 5 of the Procedures due to change in the

basis for calculation of the limit, the financial unit shall lay down an improvement plan and send it to the president for approval, followed by submitting it to the board of directors and the audit committee after obtaining the approval, and completing the improvement as the schedule set in the plan.

13.3 The Company shall evaluate its endorsements and guarantees or recognize the loss contingencies resulting from its endorsements and guarantees, properly disclose the related information in the financial report, and provide the CPA with related data for execution of required auditing procedure.

13.4 If the Company or its subsidiaries endorse or guarantee a subsidiary having a net value lower than 1/2 of its paid-up capital, the financial unit shall quarterly trace the finance, business and relevant credit status of the endorsed or guaranteed subsidiary. In case of running into significant change, it shall promptly report to the president and follow instructions to properly handle the case. The paid-up capital of the subsidiary having no face value in their stock or with a face value not based on NT\$10 per share shall be calculated as follows: the capital + capital surplus - stock insurance premium

14. Penalties

When processing the endorsement and guarantee operation, if the Company's managers and responsible personnel violate the "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the FSC or the "Procedures Governing Management of Endorsements and Guarantees" instituted by the Company, their violation shall be submitted to the general manager, and the punishment will be made according to the degree of their violation.

15. Implementation and revision

15.1 After approval of the board of directors, the Procedures shall be submitted to the board of shareholders for adoption. If any director shows any objection which is on record or in a written statement, the Company shall submit the director's objection to the shareholders' meeting for discussion. The same shall also apply in case of any revision.

15.2 If the Company has independent directors and the Procedures are submitted to the board of directors for discussion as regulated in the

preceding paragraph, the opinions from respective independent directors shall be taken into account, and the specific affirmative and opposed opinions from independent directors as well as the reasons for objection shall be recorded in the board meeting minutes.

- 15.3 If the Company has set up the audit committee as regulated, the institution or revision of the Procedures shall be agreed by more than half of the entire body of audit committee members before being submitted to the board of directors for resolution. In case that the Procedures fail to pass the approval of more than half of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.