



Lite-On Technology Corporation

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Regulations	Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees	Establishment Date	2003/5/13
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1. General

1.1 Purpose

This Regulations Governing Loaning of Funds and Making Endorsements/ Guarantees ("the Regulation" hereinafter) are based on the "Regulations Governing Loaning of Funds and Making Endorsements/ Guarantees by Public Companies" promulgated by the Financial Supervisory Commission. All loaning and endorsements/ guarantees by the Company must be carried out in accordance with this Regulation, unless otherwise stipulated in the Financial law.

1.2 Loaned Party and Conditions

A borrower of the company shall meet one of the following eligibility conditions:

- 1.2.1 Having inter-company or inter-firm business transaction with the company; or
- 1.2.2 Being a subsidiary of the company where the company holds more than 50% of its common shares directly or indirectly, and a subsidiary of the company where the company holds less than 50% of its common shares directly or indirectly but have significant influence on the subsidiary, and where an inter-company or inter-firm short-term financing facility is necessary; or
- 1.2.3 In addition to the previous 2 items, Being a company or proprietor who has good credit record and is in need of short-term facility as a fund for the purchase of materials, as short-term facility leverage, as capital spending or as working capital

The term "short-term" as used in the preceding paragraph means one year.

1.3 Scope of Endorsements/ Guarantees and Subjects

- 1.3.1 Endorsements/ Guarantees herein refer to the following:

- 1.3.1.1 Financing/ Endorsements/ Guarantees include:

- 1.3.1.1.1 Check discount financing.
- 1.3.1.1.2 Execute the endorsements or guarantees for the other companies' financing purpose
- 1.3.1.1.3 Financial bills issued to non-financial institutions as guarantees for the Company's financing purpose.
- 1.3.1.2 Tariff endorsements/ guarantees refer to the endorsement or guarantees issued for the Company's or other companies' tariff related matters.
- 1.3.1.3 Other endorsements/ guarantees refer to endorsement or guarantees which do not fall into the two categories above.

This Regulation also apply to the pledge or collateralization of the Company's chattels or real estates for the purpose of the Company's or other companies' borrowing.

- 1.3.2 Subjects of the Company's endorsements/ guarantees include the following:
 - 1.3.2.1 The subject company has business relationship with the Company.
 - 1.3.2.2 The Company directly or indirectly holds more than 50% of the voting shares of the subject company.
 - 1.3.2.3 The subject company directly or indirectly holds more than 50% of the voting shares of the Company.
 - 1.3.2.4 In between of the Company's directly or indirectly holds 90% of the voting shares of the subject company.

For mutual guarantees made for undertaking construction projects and in accordance with business contracts between companies in the same business, or co-undertakers, or endorsement guarantees to joint venture companies on a pro-rata basis by all investors with actual participation in such joint venture's operations, they are not subject to the constraints stated above.

Joint venture companies refer to companies in which the Company has investment either directly or through companies of which it has 100% voting rights.

2 Setting of the Loaning Procedures

2.1 Reasons and necessity for financing

In financing a borrower who has business transactions with the company, the reason and necessity for financing shall be specified. In financing a borrower pursuant to 1.2.2., and 1.2.3. of this regulation, the reason and the status shall be stated.

- 2.2 Total amount of financing and limit for advance
- 2.2.1 The total amount of loans available by the company in favor of all borrowers shall not exceed 40% of the net worth of the company as stated in the most recent financial statement
- 2.2.2 In financing a subsidiary where the company holds less than 50% of its common shares directly or indirectly, the aggregate amount of loans and the maximum amount permitted to such a single subsidiary shall not exceed 5% of the net worth of the company as stated in the most recent financial statement. For a subsidiary where the company holds more than 50% of its common shares directly or indirectly, the aforementioned restriction shall not be applicable; however, the aggregate amount of loans and the maximum amount permitted to such a single subsidiary shall not exceed 40% of the net worth of the company as stated in the most recent financial statement.
- 2.2.3 In financing a company or proprietor where the company has business transactions, unless otherwise provided in 2.2.2., the aggregate amount of loans and the maximum amount permitted to such a single company shall not exceed 5% of the company's net worth as stated in the most recent financial statement, and the maximum amount permitted to such a single company shall not exceed the total amount of business transactions with such a borrower in one year.
- 2.2.4 In financing between the company's 100% directly or indirectly owned foreign subsidiaries, or the company's 100% directly or indirectly owned foreign subsidiaries finance to the company, the aggregate amount of loans and the maximum amount permitted to such a company will not be subject to the limitation of 40% of the net worth of the lender as stated in the most recent financial statement, but still needs to establish a lending limit.
- 2.2.5 If the company processed the loans and breached the regulation of 1.2 and 2.2, in accordance with clause sixth set in the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the chairman of the company shall be jointly and severally liable to the borrower, and if the company is injured, it shall also be liable for damages."

2.3 Procedures for processing the loans

- 2.3.1 In processing loans to a counterparty who is eligible for financing under this regulation, the applying department shall fill in the "Application for Governing Loaning of Funds" (Attachment I) and explain and evaluate the operational risk that may be derived, and apply with Finance Department of the company. Finance

Department shall assess and record the effect of such a financing on the financial position and shareholders' equity of the company. Where necessary, the company may demand collateral and appraise the value of the pledged collateral. Finance Department and Legal Department of the company shall examine if they are lawful and in compliance with this regulation, and present the examination result to the Audit Committee for the approval of more than half of all members, and further to the Board of Directors for its resolution. If the approval of more than half of the Audit Committee's members is not obtained, the application may be approved by more than two-thirds of all the Directors, but the Audit Committee's resolution should be recorded in the Board of Directors' meeting minutes. The aforementioned Audit Committee members and Directors refer to those who are incumbent.

In the event that aggregate amount of loans to others made by the company reaches NT\$300,000,000 or up, any additional loans to others shall be approved by the company's Board of Directors and Audit Committee.

- 2.3.2 Where the members of the BoD may have different opinions for or against specific granting loans to a counterparty, their opinions shall be duly observed and stated in the resolution of the BoD.
- 2.3.3 Loans of funds between the company and subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph 2.3.1, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.
- 2.3.4 The authorized limit on loans extended by the public company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company unless pursuant to 2.2.4.
- 2.3.5 A record book shall be kept for tracking the outward loans of the company with particulars like the names of the borrowers, the amount financed, the BoD resolution date, the draw down date, the review process, and special remarks.
- 2.3.6 In applying for loan, respective borrower shall present an endorsement/guarantee check equivalent to the amount of loan and collateral (movable assets, realties or marketable securities). For subsidiaries of the company in which the company holds more than 50% of their common shares directly or indirectly, they shall present a promissory note (or a financial instrument at their host country equivalent to promissory note in Taiwan) at the amount equivalent to the loans being granted, and are not required to pledge collateral for security against the loans.
- 2.3.7 For the company's 100% directly or indirectly owned subsidiaries, they are not required to present promissory note (or financial instrument at their host country

equivalent to promissory note in Taiwan) at the amount equivalent to the loans being granted or to pledge collateral as security against the loans.

2.4 Term of loans and computation of interest

2.4.1 In general, the company may offer loans only for a term of one year. For loan to foreign subsidiaries which are 100% wholly owned by the company directly or indirectly, is exempt from the aforementioned restriction but the lender still needs to establish the tenure.

2.4.2 Interest applicable to loans granted by the company to respective counterparty shall be based on the interest rate applicable to loans from financial institutions to the company plus 1% or higher on a monthly basis. Interest rate applicable to subsidiaries where the company holds 100% of their common shares directly or indirectly, shall not be subject to limitation in the preceding paragraph. But the loan rate shall not be lower than the prevailing TD rate.

2.5 The control of drawn loans and procedures of handling overdue loans

The company shall follow this regulation in granting loans, applying interest and control. If there is any sign indicating that specific borrower may be insolvent at the time of repayment to the extent that they may be unable to redeem the loans to the company on maturity date or become default, the company shall take appropriate measures for protecting the rights as creditor by referring to collection or take necessary legal actions.

2.6 Endorsements/ Guarantees Amount

Amount of an endorsements/ guarantees is subject to the following limits:

2.6.1 The total amount of endorsements / guarantees rendered by the Company shall not exceed 40% of the net worth shown on the Company's latest financial statements.

The grand total amount of endorsements / guarantees rendered by the Company and its subsidiaries to the outside corporations shall not exceed 40% of the net worth shown on the Company's latest financial statements as well. The total amount of the endorsement/guarantee provided by the Company to any individual entity shall not exceed 30% of the Company's net worth

2.6.2 In case of endorsements / guarantees by the Company to a firm where the Company holds over 50% of the voting power either directly or indirectly, or by the firm directly or indirectly holds more than 50% of the voting shares of the Company. (1.3.2.2 and 1.3.2.3) or endorsements / guarantees with companies where the Company holds over 90% of the voting power either directly or indirectly (1.3.2.4),

the total amount of individual endorsements / guarantees shall not exceed 10% of the net worth shown through the Company's latest financial statements.

- 2.6.3 The total amount of individual endorsements/guarantees granted by the Company to a single company or among the Company and companies where the Company holds over 90% of the voting power either directly or indirectly shall not exceed 10% of the net worth shown through the Company's latest term financial statements. Where the Company grants endorsements / guarantees to a corporation where the Company maintains a business relationship, unless otherwise prescribed in other Regulations, the amount of individual endorsements / guarantees shall be confined to the total amount of business transaction accumulated over the past twelve months and shall not exceed 10% of the net worth shown through the Company's latest financial statements.
- 2.7 Approval Authority and Procedures for Endorsements/ Guarantees

2.7.1 Approval Authority

- 2.7.1.1 In handling the Company's endorsements/ guarantees matters, the Finance Department shall evaluate the subject's financial condition per clause 2.7.2 of this Regulation, and the Legal Department shall ensure the endorsement guarantee is in line with relevant laws and the requirements mentioned in this Regulation. The assessment results shall be endorsed in accordance with the Company's approval authority, and then forwarded to the Audit Committee for the approval of more than half of all its members, and further to the Board of Directors for its resolution. If the approval of more than half of the Audit Committee's members is not obtained, the application may be approved by more than two-thirds of all the Directors, but the Audit Committee's resolution should be recorded in the Board of Directors' meeting minutes. The aforementioned members of the Audit Committee and Directors refer to those who are incumbent.
- 2.7.1.2 The views and opinions from the Directors, if any, should be fully evaluated and their views for or against the endorsement guarantee with the associated reasons be recorded in the Board of Directors' meeting minutes.

2.7.2 Endorsement Guarantee Procedures

- 2.7.2.1 In handling the Company's endorsement guarantee matters, for each subject company which meets the aforementioned criteria, the "Endorsement Guarantee Application Form" (Annex II) shall be filled out with the operating risks described and assessed, and then the application be filed with the Company's Finance Department. The Finance Department

shall evaluate the Company's financial condition and the impact on shareholders' rights and interests. If necessary, collateral should be requested and its value evaluated by the Finance Department. The Legal Department shall ensure the endorsement guarantee is in line with relevant laws and the requirements in these Regulations. The assessment results shall be endorsed in accordance with the Company's approval authority, and forwarded to the Audit Committee for the approval, and then to the Board of Directors for its resolution. For each case the Finance Department shall record in the Endorsements/ Guarantees and Lifting Register the details of matters being endorsed/guaranteed, the name of the company being guaranteed, risk assessment results, the amount, the date of endorsement guarantee, the collateral obtained, the conditions and the date for lifting of the responsibility, and the Board resolution date. Any subsequent changes to such items should also be recorded accordingly. The Financial Department shall post relevant accounting entries when executing or lifting endorsements/ guarantees.

- 2.7.2.2 The Company uses the corporate seal and the responsible person's seal (two as a set) registered with the Ministry of Economic Affairs as the official seals for endorsement guarantees. Such seals are to be held in the custody of dedicated personnel approved by the Board of Directors, and the use of such seals or the issuance of notes should be carried out in accordance with this Regulation. Any change of personnel for the seal custody should be reported to the Board of Directors for approval.
- 2.7.2.3 Letters of guarantee issued by the Company as guarantees for domestic and foreign companies should be signed by the personnel authorized by the Board of Directors.
- 2.7.2.4 For the Company's external endorsement, the subject company shall provide a promissory note (equivalent to a promissory note in the Republic of China) with the same amount of the endorsement, and provide collateral (chattels, real estate or securities) with a considerable value. However, based on this Regulation, for subject companies of which the Company directly or indirectly holds more than 50% of the voting shares, the provision of a promissory note (equivalent to a promissory note in the Republic of China) with the same amount of the endorsement is required, but the provision of collateral may not be necessary.
- 2.7.2.5 Based on the Regulations, for subject companies of which the Company

directly or indirectly holds 100% of the voting shares, the provision of a promissory note (equivalent to a promissory note in the Republic of China) with the same amount of the endorsement or collateral (chattels, real estate or securities) may not be necessary.

- 2.7.2.6 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 of 2.7.2.6, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

2.8 Lifting of Endorsements

- 2.8.1 Should the Company be relieved from its guarantee responsibility due to full repayment of the liability involved or renewal of the relevant documents or financial instruments, the guaranteed company shall return the original documents and instruments to the Company's Financial Department, which shall affix the cancellation seal onto or make void of such documents and instruments and then return them to the guaranteed company. The official letter from the guaranteed company regarding this matter should be retained for future reference.
- 2.8.2 When such endorsement lifting cases happen, the Financial Department shall record them in the Endorsements/ Guarantees and Lifting Register and process the write-offs in order to reduce the amount of accumulated endorsement balance.

3 Case Assessment

- 3.1 The Company shall take into full consideration each director's opinion when loaning funds. Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

3.2

- 3.2.1 If due to changed circumstances, the subject company which initially qualified under clause 1.2 or 1.3.2 for the Company's loan or endorsements/ guarantees becomes unqualified, or the endorsements/ guarantees or loan amount exceeds the prescribed limit due to changes in the basis for calculating the limit, the Company shall establish an improvement plan for the endorsement guarantee or loan amount that exceeds the limit, and send it to the Audit Committee for the approval by more than half of all its members, and further to the Board of Directors for its resolution, and then have the plan implemented in accordance with its timetable. If the approval from more than half of the Audit Committee's members is not obtained, the plan may be approved by more than two-thirds of all the Directors, but the Audit Committee's resolution should be recorded in the Board of Directors' meeting minutes. The aforementioned members of the Audit Committee and Directors refer to those who are incumbent.

- 3.2.2 If due to business needs the endorsements/ guarantees issued by the Company shall exceed the amount limit prescribed in this Regulation but still meets the relevant conditions, the Company may process such a case after obtaining a jointly signed approval from more than half the Company's Directors on the possible losses, and after a further amendment to this Regulation is made. Such a case, however, should still be presented in the shareholders' meeting for recognition; if it is disapproved by shareholders, then a plan should be formulated to cancel the excess amount in a certain period of time.
- 3.2.3 The Company shall notify the Independent Director in writing of any major irregularities, and shall also send to the independent Director the improvement plan stipulated in the breach of governing loaning of funds and making of endorsements/guarantees
- 3.3 The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.
- 3.4 The Company's internal auditors shall conduct audits on the procedures prescribed in the Regulations at least once a quarter, and have the audit result documented. A written notice should be sent to the Audit Committee should any major violation be detected.

4 Other Matters

- 4.1 When a subsidiary of the Company needs to provide loans or endorsements/guarantees to other companies to satisfy its business requirements, the subsidiary shall establish its loan and endorsement/guarantee procedures, and executes accordingly.
- 4.2 The Company's personnel in charge of such matters shall report previous month's balance of loaning funds and endorsements/ guarantees of itself and its subsidiaries by the 10th of each month.
- 4.3 In the event of violation of this regulation by processing personnel of the company, follow "Regulation for Reward and Punishment" established by the company.

5. Disclosure of information

- 5.1 The company shall report and announce previous month's balance of loaning funds and endorsements/ guarantees along with the Company's business turnover information by the 10th of each month on regulator's designated web site.

5.2 “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 and monetary amount of the loaning of funds and endorsements/guarantees, whichever date is earlier. The company whose loans reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence.

5.2.1 The aggregate balance of Loans

- 5.2.1.1 The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.
- 5.2.1.2 The aggregate balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.
- 5.2.1.3 The amount of new loans of funds by the company, or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.

5.2.2 The aggregate balance of Endorsement/ Guarantees

- 5.2.2.1 The aggregate balance of endorsement guarantees issued by the Company and its subsidiaries exceeds 50% of the Company's net worth as stated in the most recent financial statements.
- 5.2.2.2 The aggregate balance of endorsement guarantees issued by the Company and its subsidiaries to a single company exceeds 20% of the Company's net worth as stated in the most recent financial statements.
- 5.2.2.3 The aggregate balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, book value of the equity method long term investment, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
- 5.2.2.4 The aggregate amount of new endorsement guarantees issued by the Company or its subsidiaries exceeds 30 million New Taiwan Dollars and 5% of the Company's net worth as stated in the most recent financial statements.

5.2.3 The Company shall follow all regulatory requirements and file necessary reporting in accordance with relevant regulations.

5.2.4 The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China. In addition, calculation of the ratios of such subsidiaries' loan amount balance to the net worth should be performed on the basis of the subsidiaries' loan amount balance to the company's net worth.

6 Announcement of implementation and amendment

6.1 This Regulation should be approved by the Board of Directors, and then forwarded to Supervisors and recognized in shareholders' meeting before implementation.

Amendments to this Regulation should be approved by more than half of the members of the Audit Committee, and forwarded to the Board of Directors for its resolution. If the approval from more than half of the Audit Committee's members is not obtained, the amendments may be approved by more than two-thirds of all the Directors, but the Audit Committee's resolution should be recorded in the Board of Directors' meeting minutes.

The Amendments should be implemented only after they are approved by the Board of Directors and then recognized in shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the audit committee and for discussion by the shareholders' meeting.

The aforementioned members of the Audit Committee and Directors refer to those who are incumbent.

- 6.2 Where the members of the BoD may have different opinions assent or dissent to the amendment of this regulation, their opinions shall be duly observed and stated in the resolution of the BoD.
- 7 The Measures were established on May 13, 2003.
The First Amendment was made on June 15, 2004.
The Second Amendment was made on June 21, 2006.
The Third Amendment was made on June 21, 2007.
The Fourth Amendment was made on June 22, 2009.
The Fifth Amendment was made on June 15, 2010.
The Sixth Amendment was made on June 19, 2012.
The Seventh Amendment was made on June 19, 2013.
The Eighth Amendment was made on June 24, 2015.
The Ninth Amendment was made on June 22, 2017.
The Tenth Amendment was made on June 21, 2019.