

## WT Microelectronics Co., Ltd.

### Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees

Enacted in May 2003  
Amended in June 2004  
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#### **Chapter 1. General Provisions**

##### **Article 1: Regulatory Basis**

The Operational Procedures are enacted in accordance with Article 36-1 of the Securities and Exchange Act of the Republic of China and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the Financial Supervisory Commission (hereinafter referred to as the FSC).

##### **Article 2: Counterparties for Which Funds are Loaned**

Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- I. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
- II. where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the Company's net worth.

The term "short-term" as used in the preceding paragraph means one year, or where the Company's operating cycle exceeds one year, one operating cycle.

The term "financing amount" as used in paragraph 1, subparagraph 2 of this Article means the cumulative balance of the Company's short-term financing.

The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or to inter-company loans of funds conducted by an overseas company in which the Company holds, directly or indirectly, 100% of the voting shares to the Company. However, the provisions of Articles 9 and 10 concerning the setting of the amount limits on the aggregate amount and individual counterparties shall still apply and the durations of loans of funds shall be prescribed. The responsible person of the Company who has violated the provisions of paragraph 1 shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue. For the damages, if any, to the Company resulted there-from, the responsible person of the Company shall also be liable for the repayment of the loan at issue.

##### **Article 3: Contents of Endorsements/Guarantees**

The term "endorsements/guarantees" as used in the Procedures means the following:

- I. Financing endorsements/guarantees, including:
  - (I) Bill discount financing.
  - (II) Endorsement or guarantee made to meet the financing needs of another company.
  - (III) 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 itself or another company with respect to customs duty matters.
- III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

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 the Procedures.

**Article 4: Entities for which the Company may Make Endorsements/Guarantees**

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

- I. A company with which it does business.
- II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- III. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10 percent of the net worth of the Company; provided that, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.

**Article 5: Definition of Net Worth**

The term "net worth" as used in the Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article 6: Recognition of Parent Company and Subsidiary**

Subsidiary and parent company as used in the Procedures shall be as determined in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article 7: Definition of Announcing and Report**

The term "announce and report" as used in the Procedures means the process of entering data to the information reporting website designated by the FSC.

Date of occurrence in the Procedures means the date of contract signing, date of payment, dates of the Board of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the loaning of funds or making of endorsements/guarantees, whichever date is the earliest.

**Chapter 2. Operating Procedures for Fund Lending to Others**

**Article 8: Evaluation Standards for Loaning Funds to Others**

Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and the Procedures. The Company may loan funds to others only after the evaluation results under this paragraph and Article 11 have been submitted to and resolved upon by the Board of Directors. The Company shall not empower any other person to make such decision.

Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for the same specific borrowing counterparty, within a limit resolved by the Board of Directors, and within a period no longer than the contract terms, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

Where the Board of Directors resolves agendas of loaning funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions expressing dissent or reservation, if any, shall be expressly recorded in the minutes of the Board of Directors' meeting.

**Article 9: Amount Limit of Loans of Funds**

The aggregate amount of loans of funds of the Company shall not exceed 40 percent of the Company's net worth.

Loans made between the Company and companies or firms with which it does business separately shall not exceed the amount of business engaged in by both parties over the most recent 1 year. The term "amount of business engaged in" as used herein means the operating income and services income from sales of goods or provision of services arising from operating activities between both parties, or inventory amount and services expenditure, whichever amount is higher.

The aggregate amount of loans of funds by the Company to a company or firm in need of a short-term financing facility shall not exceed 40 percent of the said entity's net worth. The amount of loans of funds by the Company to an individual company or firm may not exceed 30 percent of the said entity's net worth. Nevertheless, for inter-company loans of funds between the Company and its subsidiary or between the Company's subsidiaries in accordance with Article 8, paragraph 2, except in cases of companies in compliance with Article 2, paragraph 4, the authorized amount of limit of loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10 percent of the net worth on the most current financial statements of the Company or its subsidiary.

The aggregate amount of inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, or to inter-company loans of funds conducted by an overseas company in which the Company holds, directly or indirectly, 100% of the voting shares to the Company, shall not exceed the enterprise's net worth; provided that the amount of funds loaned to a single enterprise may not exceed the enterprise's net worth.

**Article 10: Duration of Loans and Calculation of Interest**

Inter-company loans of funds conducted by the Company or by an overseas company in which the Company holds, directly or indirectly, 100% of the voting shares to the Company shall be short-term financing in principle, and may not be longer than 1 year. The duration of inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares shall not be longer than 5 years.

Unless otherwise specified for the calculation and collection of loan interests, interests are payable once per month in principle. The Finance Department shall notify the borrower to pay interests within a week from the scheduled interest payment date, and interests may not be lower than the short-term bank loan interest rate on the date of the loan.

**Article 11: Procedures for Handling and Reviewing Loans of Funds**

When the borrower applies for a loan to the Company, the loan officer shall understand and analyze the necessity and reasonableness of extending loans to others, the impacts on the Company's operating risk, financial status and shareholder's rights and interests, and whether collateral and appraisal of the value thereof may be obtained, and then prepare a credit investigation and risk assessment report before submitting it to the Board of Directors for resolution. The loan may be appropriated after the collateral procedures are arranged properly.

**Article 12: Announcing and Reporting Procedures**

- I. The Company shall announce and report the previous month's loan balances of itself and subsidiaries by the 10th day of each month.
- II. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (I) 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.
  - (II) The 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.
  - (III) 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.
- III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

**Article 13: Accounting Treatments**

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.

**Article 14: Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights**

After a loan is appropriated, the Company shall pay attention to the financial, business and credit status of the borrower and guarantor. In the case of provision of collateral, the Company shall also pay attention to whether the value of collateral is changed. Before the loan is due, the Company shall notify the borrower to pay off the principal and interests upon the due date.

The loan officer shall formulate a monthly statement of funds loaned to other companies for the previous month and submit it to every management level for approval.

If the borrower does not pay off the principal and interests after the loan is due, the Company shall take measures to preserve creditor's rights according to the laws after issuing necessary notices.

**Article 15: Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries**

Where a subsidiary of the Company intends to make loans to others because of business needs, the Company shall instruct it to formulate its own Procedures for Loaning Funds to Others in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and it shall comply with the Procedures when loaning funds.

**Article 16: Internal Control**

The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of Article 8.

Internal auditors shall audit the procedures governing loaning funds and the

implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

**Article 17: Supervision and Management**

If, as a result of a change in circumstances, a counterparty for which funds are loaned does not meet the requirements of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

**Chapter 3. Procedures for Making of Endorsements/Guarantees**

**Article 18: Assessment Standards for Endorsement/Guarantee**

Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the Procedures. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 20, paragraphs 2 and 3 have been submitted to and resolved upon by the Board of Directors, or approved by the Chairman of the Board, where empowered by the Board of Directors to grant endorsements/guarantees within 25% of the Company’s total net worth, for subsequent submission to and ratification by the next Board of Directors’ meeting.

Before making any endorsement/guarantee pursuant to Article 4, paragraph 2, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company’s Board of Directors for a resolution, provided that, 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 Board of Directors resolves agendas of providing endorsements/guarantees to others, it shall take into full consideration each independent director’s opinions; independent directors’ opinions expressing dissent or reservation, if any, shall be expressly recorded in the minutes of the Board of Directors’ meeting.

**Article 19: Limits on Endorsements/Guarantees**

- I. The Company may make endorsements/guarantees under the following limits:
  - (I) The aggregate amount of endorsements/guarantees shall not exceed 80 percent of the Company’s net worth.
  - (II) Limits on endorsements/guarantees made for a single entity shall be set respectively in the following circumstances:
    - (1) Endorsements/guarantees for companies in which the Company holds, directly or indirectly, 50 percent or more of the voting shares may not exceed 80 percent of the net worth of the Company.
    - (2) Endorsements/guarantees for companies in which the Company holds, directly or indirectly, no more than 50 percent of the voting shares may not exceed 40 percent of the net worth of the Company.
    - (3) Endorsements/guarantees for companies in which the Company holds, directly or indirectly, no voting shares may not exceed 10 percent of the net worth of the Company.

- II. The Company and its subsidiaries may make endorsements/guarantees under the following limits:
  - (I) The aggregate amount of endorsements/guarantees shall not exceed 80 percent of the Company's net worth.
  - (II) Limits on endorsements/guarantees made for a single entity shall be set respectively in the following circumstances:
    - (1) Endorsements/guarantees for companies in which the Company holds, directly or indirectly, 50 percent or more of the voting shares may not exceed 80 percent of the net worth of the Company.
    - (2) Endorsements/guarantees for companies in which the Company holds, directly or indirectly, no more than 50 percent of the voting shares may not exceed 40 percent of the net worth of the Company.
    - (3) Endorsements/guarantees for companies in which the Company holds, directly or indirectly, no voting shares may not exceed 10 percent of the net worth of the Company.

If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole reaches 50 percent or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.

- III. Where the Company needs to exceed the limits set out in the preceding paragraphs to satisfy its business requirements, 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 of limits on endorsement/guarantee mentioned above. It shall also amend the 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.

Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

**Article 20: Procedures for Making and Reviewing Endorsements/Guarantees**

- I. When an affiliate in which the Company does not hold shares directly or indirectly requests for an endorsement/guarantee, it shall prepare an official letter describing the purpose and the aggregate amount of the said endorsement/guarantee, and submit it along with a promissory note to the Company.
- II. When the Company makes an endorsement/guarantee for external parties, the Finance Department shall submit a proposal elaborating on the name and date of the entity to which the Company makes the endorsement/guarantee, committed guarantees, reasons, amount, contents of collateral obtained, and conditions and date for releasing the obligations of endorsement/guarantee, and submit it in combination with the evaluation results of the necessity, reasonableness and risk of making the endorsement/guarantee, as well as an assessment report on the Company's operating risk, financial status and impacts

on shareholder's rights and interests, to the Chairman for ratification. In cases where the entity to which the Company makes the endorsement/guarantee is the one prescribed in the preceding paragraph, an official letter issued by the guarantee shall be enclosed additionally as attachment.

- III. In order to guarantee the Company's rights and interests, when the Company makes an endorsement/guarantee, it may obtain collateral and assess its value if necessary.
- IV. The Finance Department shall formulate a "Statement of Declaration of Endorsement/Guarantee Amount" for the previous month at the beginning of each month and make announcements and reporting in accordance with the relevant laws on a monthly basis.
- V. When an entity for which the Company may make endorsements/guarantees originally complying with the Procedures subsequently become disqualified, or the endorsement/guarantee amount exceeds the limit because of changes in the basis of limit calculation, the endorsement/guarantee amount for the said entity or the excess shall be discharged upon due of the contract, or the Financial Department shall adopt a plan approved by the Chairman to fully discharge the amount or excess within a given time limit, and report such to the Board of Directors.
- VI. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the Board of Directors.
- VII. When the Company cancels the registration of the endorsement/guarantee, it shall obtain the negotiable instrument or agreement issued from the guarantee, and the Finance Department shall draw up the proposal elaborating on the actual date of release from the obligations of endorsement/guarantee, reasons, and contents of the negotiable instrument or agreement recalled, and submit them to the Chairman for ratification
- VIII. If an entity for which the Company may make endorsements/guarantees is a subsidiary with net worth lower than half of the paid-in capital, the Finance Department shall implement subsequent controlling measures against it and, in the case of overdue loans or losses incurred, adopt proper safeguarding measures to protect the Company's rights and interests. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, its paid-in capital shall be the sum of the share capital plus capital surplus in excess of par.

**Article 21: Procedures for Use and Custody of Corporate Chops**

The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors, and the negotiable instrument and corporate chop shall be kept in the custody of designated persons separately, and may be used to seal or issue negotiable instruments only in accordance with the Procedures.

**Article 22: Procedures for Controlling and Managing Endorsements/Guarantees for Subsidiaries**

Where a subsidiary of the Company intends to make endorsements/guarantees for others because of business needs, the Company shall instruct it to formulate its own Procedures for Making of Endorsements/Guarantees for Others in compliance with the "Regulations Governing Lending of Funds and Making of Endorsements /Guarantees by Public Companies" and it shall comply with the Procedures when

making endorsements/guarantees. In the case of a subsidiary incorporated in a foreign country, it may adopt the locally registered chop dedicated to making of endorsements/guarantees of the company or the signature by any of its directors in the use of corporate chop for making of endorsements/guarantees.

**Article 23: Announcing and Reporting Procedures**

- I. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
- II. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (I) The balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
  - (II) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  - (III) The 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, carrying amount of investment using the equity method in, 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.
  - (IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
- III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

**Article 24: Accounting Treatments**

The Company shall evaluate or record the contingent loss for endorsements / guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

**Article 25: Internal Control**

The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the Chairman of the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of Article 18.

Internal auditors shall audit the procedures for providing endorsements/guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

**Article 26: Supervision and Management**

If, as a result of a change in circumstances, an entity for which an endorsement



/guarantee is made no longer meets the requirements of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the amount exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

**Chapter 4. Supplementary Provisions**

**Article 27: Punishment**

Managers or officers in charge of the business violate the provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the FSC or the Procedures shall be punished in accordance with the Company’s rewarding and punishment procedures.

**Article 28: Amendment Procedures**

The Procedures shall first be approved by the Audit Committee, after passage by the Board of Directors, submitted for approval by the shareholders' meeting before take effect; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.

When an agenda is proposed for discussion by the Board of Directors according to the provisions in the preceding paragraph, it shall take into full consideration the opinions of each independent director; independent directors' opinions expressing dissent or reservation, if any, shall be expressly recorded in the minutes of the Board of Directors' meeting.

When an agenda is proposed for discussion by the Audit Committee according to the provisions in the first paragraph, it shall be approved by more than half of all Audit Committee members. If approval of more than half of all Audit Committee members as required 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.

The “all Audit Committee members” and “all directors” referred to in the preceding paragraph mean the actual number of Audit Committee members and directors who are currently holding the position.