

Endorsement and Guarantee Procedures Walsin Lihwa Corporation

Amended and passed by regular shareholders' meeting on May 24, 2019

General Principles

Article 1 Objective

The Endorsement and Guarantee Procedures (the Procedures) set forth herein serve as the guidelines for Walsin Lihwa (the Company) to provide endorsements and guarantees.

Article 2 Applicability

The Procedures shall be applicable to the Company.

Article 3 Definition

1. The terms "endorsement" and "guarantee" as used herein refer to:
 - (1) Endorsement or guarantee made to meet the financing needs of another company
 - (2) Endorsement or guarantee for the Company itself or another company with respect to customs duty matters
 - (3) Others not covered by (1) and (2)
2. "Subsidiary" herein referred to shall be determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. "Net worth" herein referred to 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.
4. "The voting shares directly and indirectly held by the parent company" prescribed herein shall be determined by referring to the Q&A for the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" announced by competent authority.

Contents

Article 1 Entity for endorsement/guarantee

1. Subsidiaries of the Company are entitled to endorsements/guarantees, but the Company -- to fulfill its contractual obligations -- may provide mutual endorsements/guarantees for another company in the same industry, while all capital contributing shareholders may also make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
2. Subsidiaries in which the Company holds, directly and indirectly, 90% or more of the voting shares may provide endorsements/guarantees for each other.

Article 2 Total amount of endorsement/guarantee

1. According to the Company board decision, the total amount and the individual limit of endorsements/guarantees are listed as follows:
 - a) The total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth based on the Company's most current consolidated financial statements.
 - b) The individual limit prescribes the amount shall not exceed 2.5 times of the net worth of a guaranteed company based on its most current financial statements multiplied by the percentage of the Company's investment in the subsidiary.

2. 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 Company's most current consolidated financial statements, 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.
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Article 3 Review process

Application for the first time and extension

1. Any guarantee application shall be made in writing to the Company with the most current financial statements, operation information, and the budget for the following year provided for assessment by the Company.
 2. After receiving an application, the Finance Division of the Company shall review the information provided including the following:
 - a) Whether extending any guarantee/endorsement is necessary and reasonable
 - b) Whether the guarantee/endorsement amount is necessary based on the financial condition of the applicant
 - c) Whether the accumulated guarantee/endorsement amount is within the limit
 - d) Whether the amount of an endorsement/guarantee arising from business dealings is within the limit of both the guarantee/endorsement amount and such dealings
 - e) Impacts on the Company's operation, financial condition, and shareholders' equity
 - f) Whether collaterals and collateral assessment shall be required
 - g) Borrower's credit status
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Article 4 Decision-making and authorization

1. Approval by the president and chairman of the board of the Company shall be required after the Finance Division completes its review process.
 2. The chairman of the board may approve the amount of NT\$500 million (or equivalent foreign currency value) extended to a single company for less than one year, and the approval shall be subject to ratification by the board meeting afterwards. Any amount exceeding NT\$500 million (or equivalent foreign currency value) or a loan period exceeding one year shall require prior approval by the Audit Committee and then approval by board meeting resolution. The board meeting shall fully consider each independent director's explicit opinions to include such opinions as well as the reasons for the director's agreement and/or disagreement in the board meeting minute.
 3. For subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares, prior approval by the Audit Committee and then approval by board meeting resolution shall be required before making endorsements/guarantees for each other, whereas this restriction shall not apply to endorsements/guarantees made between the subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.
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Article 5 Requirements after approval

After an application is approved, the Finance Division shall ask the applicant to provide a cashier's check equivalent to the amount applied for and collaterals (if collaterals are requested upon approval)

and to retrieve the credit documents submitted for the application from the Finance Division. The Finance Division shall ask the applicant to sign the photocopies of such documents for the Division's filing of the photocopies. Guarantee certificates provided by the applicant shall be administered in accordance with the Company's Taiwan Area Bill Management Standards.

Article 6 Cancellation

When there is any cancellation of relevant documents or bills resulting from debt extensions, paybacks, or renewals, the guaranteed company shall send a formal letter to the Finance Division of the Company and provide the documents submitted for endorsement/guarantee application for cancellation stamping and then the stamped documents shall be returned. The formal letter shall be kept by the Finance Division for reference.

Article 7 Control and management

1. If a guaranteed company originally qualified for Article 3-2 is later found unqualified, or the amount granted exceeds the limit originally set due to any change to the calculation of the limit, an amelioration plan for such qualification or limit issues shall be prepared, submit the same to the Audit Committee, timely implemented based on the planned timeline, and reported to the board of directors of the Company.
 2. The Accounting Division of the Company shall prepare a reference book to record all endorsement/guarantee-related information including endorsement/guarantee details, names of the companies endorsed/ guaranteed, risk assessment results, endorsement/guarantee amounts, documentation of collaterals, dates of and requirements for cancellation of endorsement/guarantee responsibilities, and dates of passage by the board and approval by the chairman of the board.
 3. Internal auditors of the Company shall regularly audit the implementation of the Procedures and prepare written records accordingly. They shall promptly inform the Audit Committee of the Company in writing of any violation found in addition to following due procedures for violation reporting.
 4. If the Company or any of its subsidiaries plans to provide any endorsement or guarantee to any of the Company's subsidiaries whose net worth is lower than half of its paid-in capital, the Finance Division shall elaborate on relevant risks, establish and implement risk control measures, and review how such measures are implemented on a regular basis.
 5. When the total value of endorsements and guarantees provided by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in the Company's latest consolidated financial statements, the Finance Division shall report to the shareholders' meeting as to why such endorsements and guarantees are reasonable and necessary.
 6. The Company shall follow the Procedures when providing endorsements/guarantees. The managers and other personnel in charge of endorsements/guarantees shall be subject to disciplinary action - in accordance with the reward and punishment policy of the Company - for any violation of the Procedures.
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Article 8 Procedure of use and custody of corporate chop

1. The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees.
 2. The chop shall be kept in the custody of a designated person in accordance with the chop administration guideline of the Company.
 3. When making an endorsement/guarantee for a foreign company requiring signing a letter of guarantee for the endorsement/guarantee, the Company shall have the letter of guarantee signed by the chairman of the board on half of the Company.
 4. The chop for endorsement/guarantee-related documents shall be applied for with the chop application form of the Company accompanied with the endorsement/guarantee request that has been approved or a photocopy of the board meeting minute on the endorsement/guarantee.
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Article 9 Disclosure

1. Subsidiaries and affiliated companies of the Company in which the Company has equity investment shall report their previous month's endorsement/guarantee status in writing to the Finance Division of the Company by the 3rd day of each month.
 2. The Finance Division of the Company shall, by the 5th day of each month, submit to its director the detailed endorsement/guarantee balances that shall be disclosed by the 10th day of each month. After the director's review of the balances, the Finance Division shall disclose the balances monthly and keep the originals of such information for reference.
 3. In addition to the aforementioned monthly disclosure requirements, the Finance Division shall disclose any endorsement/guarantee reaching the value required to be disclosed as set forth in Article 25 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and Paragraph 22, Article 4, Chapter II of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.
 4. The Company shall disclose on behalf of any subsidiary that is not a public company of the Republic of China any matter that such a subsidiary is required to disclose in accordance with the preceding disclosure requirements.
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Article 10 Others

The Company shall require any subsidiary to abide by the Procedures when planning to make endorsements/guarantees for others.

Any matter not set forth in the Procedures shall be processed in accordance with relevant laws and regulations and/or the Company's relevant rules and regulations.

Article 11 Enforcement and amendment

The Procedures and any amendment to the Procedures shall be approved by the Audit Committee as well as board meeting resolution and submitted to the shareholders' meeting for approval. Any objection expressed by any director of the board that is minuted or provided in writing shall be submitted to the shareholders' meeting for discussion.
