

ITE Tech. Inc.

Operational Procedures for Loaning Funds to Others

Article 1 Purpose and legal basis of formulation

These Operational Procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act as well as relevant regulations of the competent authority for securities.

Article 2 Entities to which the company may loan funds

Unless otherwise provided by law, the Company shall not loan funds to any of its shareholders or any other person, except under the following circumstances:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; or
2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 10 percent of the Company's most recent net worth.

The term "short-term" as used in the preceding paragraph means within the past year. The term "financing amount" as used in the preceding paragraph 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; and the limits on amount and durations of such loans shall still be in accordance with Article 5.

Article 3 Definition

A "subsidiary" as referred to in these Operational Procedures shall be determined in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The "net worth of the Company" as mentioned in these Operational Procedures shall refer to the equity on the balance sheet attributable to owners of the parent company, under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The "date of occurrence" as mentioned in these Operational Procedures shall refer to the contract signing date, payment date, board resolution date, or other date sufficient to confirm the counterparty and transaction amount, whichever date is earlier.

The "public announcement and filing" mentioned in these Operational Procedures shall refer to the process of entering data into the information reporting website designated by the competent authority.

Article 4 Evaluation standards

If the entity to which the loan is made is not a subsidiary, it shall be a domestic public company whose net worth is greater than its par value and which has had no consecutive losses in the past three years. Where short-term financing is being employed, the reasons for the loan and the use status of such funds shall be set forth each time.

Article 5 Aggregate amount of loans and maximum amount permitted to a single borrower

1. Limits on the aggregate amount of loans

The aggregate balance of loans by the Company to others shall not exceed 10% of the net worth in

the Company's most recent financial statement.

2. Limits on the amount of such loans to a single borrower

For companies and entities that have business dealings with the Company, the individual loan amount shall not exceed 40% the amount of the business dealings between the two parties. "Amount of business dealings" shall refer to the higher of the purchase or sale amount between both parties in the most recent quarter.

For companies and entities that are in need for short-term financing, the cumulative amount of individual loans shall not exceed 3% of the net worth in the Company's most recent financial statement.

Article 6 Duration of loans and calculation of interest

The period of each loan shall not exceed one year.

The loan interest rate shall not be lower than the average loan interest rate for the same period as announced by the competent financial authority or the Company's loan interest rate from financial institutions. Loan interest shall be calculated on a daily basis and collected on a monthly basis. In case of special circumstances, following approval by the Board of Directors, the interest rate and the method of interest calculation may be adjusted according to the actual situation.

Article 7 Processing and review procedures for fund loans to others

1. Application

The borrower shall provide necessary company information and financial information to apply to the Company for a loan limit in writing.

2. Borrower credit status and risk assessment

After the Company accepts the application, the finance unit shall investigate and evaluate the applicant entity's business, financial status, solvency, creditworthiness, profitability, and purpose of loan, and shall prepare a report thereon. The foregoing report shall also assess the necessity and rationality of the loan, as well as the impact of such loan on the Company's operational risks, financial conditions, and shareholder equity.

3. Approval

After credit investigation and evaluation, if the Company intends to approve the loan, the person in charge shall put forward a credit report and review opinions, and shall propose loan conditions to be submitted to the president and the chairman for approval, and such shall then be submitted to the Audit Committee for approval as well. After submission to and adoption by the Board of Directors, such loans may be implemented.

If loaning funds to others is not approved by one-half or more of all members of the Audit Committee, it may be approved by two-thirds or more of all directors, and the opinions as well as the reasons for opposition in the Audit Committee's resolution shall be stated in the Board of Directors minutes.

Loans between the Company and its subsidiaries, and those between or among its subsidiaries, shall be subject to a resolution of the Company's Board of Directors in accordance with the provisions of the preceding paragraph. The chairman may also be authorized to grant the same entity to which the loan is made drawdowns, either by installment or revolving loans, within a specific limit determined by the Board of Directors and within a period of no more than one year.

The Company's or subsidiary's loan and authorization limits to a single entity shall not exceed 10% of the net worth in the loan-making company's most recent financial statement.

4. Guarantee

The Company shall obtain sufficient collateral when undertaking loan matters. Where the borrowing company itself is used as the guarantor, attention shall be paid to make sure that the responsible person as well as the manager personally sign the documents, and to whether the company's articles of association provide use of the company itself as guarantor; where property is used as collateral,

the liquidity value of the collateral and the priority of the collateral shall be assessed so as to ensure the Company's claims.

If necessary, a movable or immovable property mortgage shall be created and such property (with the exception of land, marketable securities, and intellectual property rights) shall be insured against fire risks and related insurance shall be taken out. The insurance amount shall in principle not be less than the collateral value of the collateral. The insurance policy shall indicate that the Company is the primary or third-party beneficiary.

Article 8 Announcement and reporting procedures

1. The Company shall announce and report the Company's and its subsidiaries' loan balances for each month by the 10th day of the following month.
2. When the Company's loans of funds reach one of the following levels, such event shall be announced and reported within two days dated immediately from the date of occurrence:
 - (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 5 percent or more of the net worth in the Company's most recent financial statement.
 - (2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 3 percent or more of the net worth in the Company's most recent financial statement.
 - (3) The amount of new loans of funds by the Company or subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the net worth in the Company's most recent financial statement.
3. 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.
4. 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.

Article 9 Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights

1. After a loan is drawn down, the Company shall continue taking note of the financial, business, and related credit status of the borrower and the guarantor. If collateral is provided, the Company shall take note of whether there is any change in the collateral value. In the event of major changes, the chairman shall be notified immediately, and such matters shall be properly handled in accordance with the chairman's instructions.

When the borrower repays the loan upon maturity or prior to maturity, the interest payable shall be calculated first, and the principal and all interest shall be paid off before the collateral can be returned or the guarantee liability released.
2. The borrower shall pay off the principal and interest immediately when the loan period expires. If the loan repayment cannot be made when it becomes due and an extension is needed, an application shall be made and must be approved by the Board of Directors in advance. In the event of violation, the Company may dispose of the collateral provided and recover the loss from the guarantor in accordance with the law.
3. The Company shall prepare a memorandum book for its fund-lending 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 these Operational Procedures.
4. The Company's internal auditors shall audit the Operational Procedures for Lending Funds to Others and the implementation thereof no less than once per quarter, and written records shall be prepared accordingly. All auditors shall be promptly notified in writing of any material violation found.
5. If, as a result of a change in circumstances, a borrowing counterparty does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the auditors, and shall complete the rectification according to the timeframe set out in the plan.

Article 10 Procedures for controlling and managing loans of funds to others by subsidiaries

1. When a subsidiary of the Company intends to loan funds to others, such matter shall first be approved by the Company's Board of Directors, or the Company shall request that the subsidiary formulate its own "Operational Procedures for Providing Loans to Others" in accordance with the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies. After such Operational Procedures are approved by the Company's Board of Directors, only then may the subsidiary implement such loans in accordance with such Operational Procedures.
2. When a subsidiary intends to loan funds to others, it shall provide relevant information to the Company and carry out the loan of funds operation only after taking into account the opinions of the Company's relevant operating personnel.
3. After the subsidiary makes any such loan, it shall regularly prepare a statement regarding funds loaned to others in the previous month and report such to the Company.

Article 11 Discipline

When the Company's managers or persons in charge violate either these Regulations or these Operational Procedures, such matters shall be reported to the president, the chairman or the Board of Directors for evaluation, in accordance with the Company's Personnel Management Guidelines, Employee Handbook, and other rules, and such personnel shall be disciplined according to the severity of the circumstances.

Article 12 Implementation and revision

These Operational Procedures must be approved by the Audit Committee and Board of Directors, and then submitted to the Shareholders Meeting for approval before taking effect. The same shall also apply to subsequent revisions thereof.

When these Operational Procedures are submitted to the Board of Directors for discussion, the opinions of each independent director shall be fully considered. If independent directors raise objections or reserve their opinions, such shall be stated clearly in the meeting minutes of the Board of Directors. The same shall also apply to subsequent revisions thereof.

Article 13 Supplementary provisions

The formulation of these Operational Procedures was approved by the General Shareholders Meeting on June 17, 2015.

The 1st amendment was made on June 15, 2018.