



## Procedures for Capital Lending to Others of Oriental Union Chemical Corporation (The “Company”)

As last amended on 11 June 2019

### Article 1 (Subject of Lending)

The party (“Borrower”) to whom the Company may lend its capital shall be limited to:

- (1) Companies (“Business Partners”) having business relationship with the Company; or
- (2) Companies in need of funds for a short-term period (“Company Seeking Short-Term Financing”).

“Short-Term” in (2) shall mean the period of one (1) year, or, refer to business operation cycle which is longer than a year.

### Article 2

The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the net worth of the last period audited or reviewed by its accountants (“the Company's Latest Net Worth”).

The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.

The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed fifteen percent (15%) of the Company's Latest Net Worth. The amount of any individual loan hereunder shall not exceed five percent (5%) of the Company's Latest Net Worth.

The accumulated balance of short-term loan of funds, the amount of individual loan and the length of loan provided by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, or by aforesaid overseas subsidiary to the Company, shall be pursuant to the company's Procedures for Capital Lending to Others stipulated, yet with loan amount not limited to over forty percent (40%) of the lending company's net worth and the length restricted to one year.

The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to 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 3 (Reasons and Necessity for Lending)

Loans extended to Companies Seeking Short-Term Financing shall be limited to the following:

- (1) Companies which may be guaranteed by the Company and have the need for short-term financing facility:
  - a) Company which is directly or indirectly invested with over fifty percent of shares with voting right; and
  - b) Holding companies of the Company, which is holding more than fifty percent of shares with voting right
- (2) Other companies as approved by the Company's Board of Directors for such lending.

Subsidiaries and holding companies referred to herein are defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 4 (Procedures for Lending)

When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's Finance department for limits of loans. The Finance department shall evaluate such application in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations") as well as these Procedures including the following items and prepare and submit to the Audit Committee the evaluation report for approval prior to the Board of Directors for resolution, without authorizing any other persons to undertake the abovementioned procedure:

- (1) necessity and rationale of the loan;
- (2) the Borrowers' credit standing and risk evaluation;
- (3) impact on the Company's operation, financial condition and shareholders' interests; and
- (4) whether collaterals are required and appraised values of such collaterals.

When handling loans extended by the Company to its subsidiaries, or loans extended by the Company's subsidiaries to one another, the procedure mentioned in paragraph 1 shall apply, and shall be resolved by the Board of Directors. For the same Borrower, the Board of Directors may authorize the Chairman to grant multiple drawdown or revolving credit to the said Borrower within one year, provided the total drawdown does not exceed the limit resolved by the Board of Directors.

When a loan extended by the Company or its subsidiaries to an individual Borrower, the limit on the total amount mentioned in the preceding paragraph shall not exceed 10 percent (10%) of the said Borrower's net worth of the last period financial report audited or reviewed by its accountants. Borrowers



mentioned in paragraph 4 of the Article 2 are exempted from this restriction. The Borrower should, upon the loan amount being approved, fill in an application form and apply to the Finance department. The loan amount may only be disbursed after the person as designated by the Board of Directors has signed and approved. Subsequent to drawdown, the finance department shall report to the Board of Directors.

Borrowers who apply for short-term financing facility in accordance with the aforesaid item shall provide the Company with bills or collaterals or guarantors as the Company approved as security securing such financing.

In the event that the Company has Independent Directors, the Board of Directors shall take into account the opinions of the Independent Directors and furthermore record in the minutes of such meetings the Independent Directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.

Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Audit Committee. Rectification shall be completed within the time frame stipulated in improvement plans.

According to these Procedures, the matters shall be approved by the Audit Committee, if the matter have not been approved by more than half members of all Audit Committee members, the matters shall be approved by the Board of Directors with two thirds of all Directors and the resolution of Audit Committee shall be recorded in the Board of Directors minutes. The Audit Committee member and the Board of Directors members as stated will only calculate the members in present position.

**Article 5 (Loan Term and Interest Calculation)**

The term of loans extended by the Company shall not exceed 1 year. For Companies Seeking Short-Term Financing with a business operation cycle exceeding 1 year, the term of loans can be extended to the length of the cycle.

The term of loans extended by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, depends on the need of the borrowers, which shall not exceed 3 years.

Interest for short term financing shall be calculated on a floating rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the Finance department has submitted the application to the General Manager for approval. Interest receivable shall be settled pursuant to the resolved time frame.

**Article 6 (Subsequent Control Measures and Procedure for Overdue Debts)**



The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, dates of approval by the Audit Committee, the Board of Directors, loan drawdown date and results of evaluation as required under Article 4 (1) above.

The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform the Audit Committee of the same.

Following drawdown of the loans, the Company shall constantly monitor the financial, business and the relevant credit conditions of the Borrowers and guarantor. Where security has been provided, the company shall also monitor the change in the value of the said security. Any major changes to the security shall be reported to the President immediately and handled as the President instructed.

The Borrowers shall immediately repay the principal amount and interest accrued when the loan becomes due and payable. In the event that the Borrowers are unable to repay, the Finance department shall immediately write to notify the Borrowers to collect the loan. The Company may take legal actions and seek compensation against the security or guarantor, if the Borrowers fail to repay after the written notification.

**Article 7 (Disciplinary Actions For Loans Not In Compliance With This Procedures)**

The Company shall extend loans in compliance with the Regulations issued by the Securities and Futures Commission and these Procedures. In the event that any managerial officers or person undertaking the matters with respect herewith are found to be in breach of provisions herein in material aspect or causing damage to the Company, the Company shall discipline the said persons in accordance with the internal rules on employee reward and punishments and the relevant personnel regulations.

**Article 8 (Procedure for Public Notices and Announcement)**

The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.

When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:

- (1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or
- (2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or



(3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the Company's Latest Net Worth.

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 item 3 of the preceding paragraph.

The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.

"Date of occurrence" in these Procedures means the date of contract signing, date of payment, date of Boards of Directors' resolutions, or other date that can confirm the counterparty and amount of the capital lending to, whichever date is earlier.

The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.

Article 9 (Control Procedures for Subsidiaries' Loan Extension)

Subsidiaries of the Company proposing to extend loans to others shall prepare their respective procedures in compliance with the Regulations, and shall implement such procedures accordingly. Subsidiaries of the Company shall report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the Board of Directors for approval.

Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with the Regulations.

Subsidiaries of the Company shall submit, before the 5th day of each month, detailed statements of the loans extended as of the end of last month to the Company for consolidation.

Subsidiaries of the Company shall on their own examine whether their procedures in relation to capital of lending to others are in compliance with the Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the self-examination reports of the said subsidiaries.

Article 10 (Effective date and Amendments)

These Procedures shall be forwarded to the Audit Committee and Shareholders'



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Meeting for approval upon resolved by the Board of Directors. Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Audit Committee and Shareholders' Meeting for discussion. The same procedure shall also apply to amendments hereof.

*\*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*