

CH Biotech R&D Co., LTD. Management of Loans to Others

The Regulations were enacted at Shareholders Meeting on September 18, 2014

The first amendment to the Regulations was made on June 5, 2018

The second amendment to the Regulations was made on December 11, 2018

The third amendment to the Regulations was made on May 27, 2020

Article 1 Purpose

The regulation is formulated pursuant to Article 36-1 of Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. The Company shall comply with the regulation when making loans to others. Matters not provided for herein shall be governed by other applicable statutes.

Article 2 Who could get loan by the company

1. 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 % of the lender's net worth.

2. 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.

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

4. The loan between the company direct or indirect 100% owned foreign subsidiaries which is unrestricted by sub-paragraph 2, paragraph 1. However, the setting of the amount limits and the duration of loans shall still be applied in accordance with the Regulations.

Article 3 The total amount of loaning funds and the limit of loaning amount to any single party

1. The total amount of loaning funds:

i) For loaning funds deriving from the business relations, the amount provide to any single party shall not exceed the total business amount between the party and the Company. The so-called "business amount" between any single party and the Company means the highest amount in business or sales between both parties in recent 12 months

ii) For loaning funds deriving from the short-term financing needs, the amount provide to any single party shall not exceed thirty percent (30%) of the Company's net worth as stated in its latest financial statement and shall not exceed forty percent (40%) of the party's net worth.

2. For loaning funds deriving from the business relations, the amount provide to any company or business firm shall not exceed the total business amount between the party and the Company. The so-called "business amount" between any single party and the Company means the highest amount in business or sales between both parties in recent 12 months.

3. For loaning funds deriving from the short-term financing needs, the total amount of loaning funds to any company or business firm should not exceed fifty percent (50%) of the Company's net worth as stated in its latest financial statement.

Article 4 The Term of Loan and the Method of Interest Calculation for Loaning of Funds

The term of each loan should not exceed one year. The method of interest calculation for loaning of funds should be decided with reference to the interest rate of correspondent financial institutions of the Company and could be adjusted according to the cost of funds.

The interest should be calculated on a daily basis and collected once a month. The interest rate shall not be lower than the short-term financial loan the Company has from financial institute.

Article 5 Operation Procedures of Fund Lending and Review Process

1. Before the Company's agreement of lending funds, the Company shall carefully evaluate the borrower's application, its purpose of borrowing, profitability. Then the financial department will decide the interest rate and term of lending. The Company may make loans to others only after the results of evaluation have been submitted to and resolved upon by the board of directors.
2. When the Company handles the matters of fund lending, the necessary financial information and guarantee may be provided by the Borrower to the Company upon by the board of directors' request.
3. The party which requests loan for the first-time from our Company shall prepare report along with the application specifically stating its basic credit status and recent financial status. The Company shall evaluate the risk of whether lending to the borrower will have any risk toward the Company's business operation, financial condition and shareholders' equity.
4. Where the independent directors have been established, when lending funds to others, the Company shall take into full consideration of each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board meetings.

Article 6 Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

1. When the loan has been allocated to others, the Company shall constantly notice the Borrower and Guarantor's financial, business and credit states. Where there is a collateral, the Company shall notice if any changes to its value. If any material changes occur, the Company shall notify the Chairman and undertake according to the Chairman's directions.
2. The Company shall notify the Borrower to pay the principal and interest prior to the reimbursement deadline. All payable interest shall be calculated and paid back with the principal when the Borrower pays back the loan at the deadline or prior to the deadline.
3. The Borrower shall pay back the principal and interest prior to the deadline.
4. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, a public 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.

Article 7 Registration of cases and its storage

1. 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 the operational procedures.
2. The personnel in charge of lending cases shall collect the written agreement, claims evidence obtained like promissory note, documentation of collateral, insurance policy and contact files and organize them properly, putting them in a storage bag and indicating the stored item and the client's name. The bag shall then be submitted to the Department of Finance's Manager for review, and it shall be sealed after being reviewed. Both parties shall then sign or stamp on the memorandum book and keep it safely.

Article 8 Procedures for controlling and managing loans of funds to others by subsidiaries.

1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Operational Procedures for Lending Funds to Others in compliance with Regulations Governing Lending of Funds and Making of

Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when loaning funds.

2. The subsidiary shall make a List of Loans to Others prior to the 10th of each month and submit it to the Company.
3. When the Company's internal auditors undertake auditing at the subsidiary in accordance with annual auditing plan, they shall understand the implementation of Operational Procedures for Endorsements/Guarantees for Others. They shall promptly notify the Audit Committee in writing of any material violation found.

Article 9 Other matters which shall be noticed when loaning to others

1. Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with these Regulations. The Company may loan funds to others only after the evaluation results have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.
2. 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 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.
3. The ceilings on the amount mentioned in the preceding paragraph, including loans for any single entity by the Company or its subsidiary, shall not exceed 10% of the net worth of the Company in the most recent financial statements, except for those that meet the requirements of Paragraph 4 of Article 2.
4. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others 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.
5. Personnel in charge of making loans to other shall make a List of Loans to Others prior to the 10th of each month and submit it to managers of each level for review.

Article 10 Information Disclosure

1. The aggregate balance of loans of the Company and its subsidiary from the previous month shall be declared publicly before the 10th day of each month.
2. The Company's loans of funds reach one of the following levels shall be declared publicly such event within two days commencing immediately from the date of occurrence:
 - (a) The aggregate balance of loans to others by the Company and the subsidiary reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (b) The balance of loans by the Company and the subsidiary to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - (c) The amount of new loans of funds by the Company or the subsidiary 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.
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 Paragraph 2.
4. The Company shall assess the state of capital loans and provide adequate allowances for bad debts in accordance with Generally Accepted Accounting Principles, disclosing relevant information in the financial statements and providing relevant information to the certified public accountant to perform necessary verification procedures.

Article 11 Penalties

Any personnel who are in relation to the business and conduct otherwise shall be punished in accordance with the Company's relevant regulations.

Article 12 Implementation and amendment

The Company shall establish or modify the Procedures in accordance with the Regulations. After the Procedures have been approved by more than half of all Audit Committee members, it shall be submitted to the Board of Directors and then Shareholders' Meeting for approval.

When the Procedures are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.

If approval of more than half of all Audit Committee members as required in paragraph 1 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 term "all Audit Committee members" in the paragraph 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.