

## **POYA International Co., Ltd.**

### **Operational Procedures for Loaning of Company Funds**

#### **Section 1 Subject**

The Company may make a loan to others based on its business need. In order to enhance the management of lending funds to others, the Company shall enact these Operational Procedures pursuant to the applicable laws and regulations.

#### **Section 2 Content**

##### **Article 1 Recipients of Fund Lending**

1. The enterprises or firms which have business relations with the Company; or
2. The enterprises or firms which have necessary relations of short-term financing facility with the Company, provided that such financing amount shall not exceed 40 percent of the lender's net worth

The term "short-term" as used in the preceding paragraph means one year.

The term "net worth" as used in paragraph 1 of these Operational Procedures means the owners' equity attributable to the parent company of the balance sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term "subsidiary" and "parent company" shall be determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

The fund lending between the Company and the foreign subsidiaries whose equity shares with voting rights are 100% held directly and indirectly by the Company shall not be restricted by the paragraph 1, sub-paragraph 2 of these Operational Procedures. However, the short-term lending fund shall not exceed the amount of 40 percent of the lender's net worth and be within a period not to exceed a year.

##### **Article 2 Reasons and Necessity of Fund Lending**

Making a loan to the enterprises or firms which have business relations with the Company shall be restricted by Article 1, paragraph 1, sub-paragraph 2 of these Operational Procedures. Lending funds to the enterprises or firms which have necessary relations of short-term financing facility with the

Company shall be restricted to the following conditions:

1. The enterprises or firms, more than 40% of whose shares are held by the Company, necessarily need short-term landings because of the business operation.
2. The enterprises or firms necessarily need short-term landings because of material purchase or business operation.
3. Other circumstances of fund lending which are approved by the Board of Directors of the Company.

**Article 3 Limits for Total Fund Lending and Loan to Each Recipient**

1. The total fund lending of the Company shall not exceed the amount of 40% of its net worth in the latest financial statement. However, the total fund lending to the enterprises or the firms, having necessary relations of short-term financing facility with the Company, shall not be more than the amount of 40% of the Company's net worth in the latest financial statement.
2. The amount of individual lending to an enterprise or a firm which have business relations with the Company shall not exceed the total amount of transaction between both parties. The term "total amount of transaction" as used in the preceding paragraph means the higher amount of either purchasing or selling goods between each other.
3. The amount of individual lending to an enterprise or a firm which have necessary relations of short-term financing facility with the Company shall not exceed 20% of the Company's net worth in the latest financial statement.
4. The amount of individual lending to the foreign subsidiaries whose equity shares with voting rights are 100% held directly and indirectly by the Company shall not exceed 40% of the Company's net worth in the latest financial statement, and total lending shall also be restricted to the amount of 40% of the Company's net worth in the latest financial statement.

**Article 4 Procedures for Fund Lending- Credit Investigation**

With respect to the procedures for funds lending of the Company, the borrower shall first submit its company profile and financial report to the Company and apply in written form for a loan.

After receiving the application, the Finance Department shall investigate and evaluate the business, financial conditions, debt-paying ability, credit, profitability and usage of a loan of the borrower; then, submit the

evaluation report to the Board of Director for reference when assessing the lending risk.

The detailed evaluation report of the borrower conducted by the Finance Department shall at least include the following items:

1. Necessity and reasonableness of making a loan to others;
2. Evaluation of necessity of the lending amount according to the financial conditions of the borrower;
3. Assessment of whether the accumulative lending amount is still under the limit;
4. Influence on operation risks, financial conditions and shareholders' interests of the Company;
5. Evaluation of whether to obtain the collateral for a loan and value assessment of the collateral;
6. Attachments of the borrower's credit investigation and risk assessment.

#### Article 4-1 Procedures for Fund Lending- Protection

Collateral notes of an equivalent value shall be obtained for the loans made to others by the Company. If it is necessary, the Company shall also obtain chattel or real estate mortgages. The debt collaterals mentioned in the preceding paragraph may be replaced by the sufficient financial ability and credit standing of a person or a firm offered by the borrower after the Board has made assessment based on the evaluation report prepared by the Finance Department. If the debt is guaranteed by a firm, the Company shall pay attention to the fact that whether there is any provision for the granting of guarantees in Articles of Incorporation.

#### Article 4-2 Procedures for Fund Lending- Scope of Authorization

Before lending the funds to others, the Company shall carefully evaluate whether such lending is in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and the Operating Procedures of the Company. A loan may be made by the Company after the Finance Department examines the amount and evaluates the credit of borrower's application and then submits both the application and evaluation results to the general manager for approval, submitting to the Board of Director for resolution. None of the others can be authorized to make the decision.

A loan shall be made by the Company to the parent companies or the subsidiaries, or between the subsidiaries after the resolution of the Board of Directors based on the regulations mentioned in the preceding

paragraph. The Company may also authorize the Chairman of the Board to lend a particular borrower the specific amount which is resolved by the Board of Director. The loans mentioned above may be made separately or repeatedly and shall be within a year.

The term “specific amount” as used in the preceding paragraph means the authorized lending amount of the Company or its subsidiaries to a single firm shall not exceed 10% of the Company’s net worth in the latest financial statement except those loans made to the foreign companies 100 % of whose voting rights are directly or indirectly held by the Company. When the Board of Directors discusses the matters above, the opinions of each Independent Director shall be taken into full consideration and the opinions of agreement or disagreement and the reasons for disapproval shall be recorded clearly in the minutes of the Board of Directors.

The Financial Department of the Company shall protect and issue the check, which the borrower shall sign up for receipt. The Financial Department shall also monthly set up the “Statement for loaning of Company funds” and submit it to the managers for approval.

#### Article 5 Term of Fund Lending and Calculation of Interests

1. The term of each lending shall not be more than six months and the redemption dates shall be determined at the time a loan is made. If there is necessary to postpone the redemption dates, the requirement of extensions shall be made in advance and shall be approved by the Board of Directors. Each extension of the repayment shall not be more than six months and shall be accepted only one time.
2. The interests of a loan shall not be less than the highest interest rate of the short-term loans made by the financial institutions to the Company. The interests of a loan shall be calculated and be paid by the borrowers monthly. The term of each loan made to the foreign firms 100 % of whose voting rights are held by the Company shall not be more than a year. In cases of special circumstances, the Company shall extend the term of a loan to two years based on the actual condition with the extension approved by the Board of Directors. The interests of such loan shall not be lower than the average interest rates of the short-term loans made by the financial institutions to the Company.

#### Article 6 Controlling Measures for Follow-up and Managing Procedures for Overdue Debts

1. When the loan is appropriated, the Company shall pay attention to the matters concerning the finance, business and relative credit conditions of the borrowers and guarantors. If there is any collateral, the Company shall pay attention to the variance of the collateral's value; shall inform the Chairman of the Board of Directors whenever significant variance occurs and shall properly manage the collateral according to the directions of the Chairman.
2. The borrower shall calculate the interests and repay the interests along with the principal before or at the due date of the loan to have the promissory note returned to him/her or let the collaterals losing the secured powers.
3. The borrowers shall repay both the interests and the principal once the loan is due. However, if the borrower is unable to repay and there is necessary to postpone the redemption dates, the requirement of extensions shall be made in advance and shall be approved by the Board of Directors. Each extension of the repayment shall not be more than six months and shall be accepted only one time. If the borrower defaults, the Company shall dispose the collateral or ask indemnification from the guarantors based on relative laws and regulations.

#### Article 7 Internal Control

1. With respect to the matters concerning the loans made by the Company to others, a ledger book for reference shall be set up recording the borrowers' names, lending amounts, dates for resolution of the Board of Directors and for fund appropriation as well as the matters which shall be carefully evaluated based on the relative laws and regulations.
2. The internal auditors of the Company shall audit the procedures for lending to others and its execution, making a written record at least once in a quarter. If there is any significant violation, the auditor shall inform the Audit Committee by the written form and punish or dismiss the managers without notice based on the violation condition with accordance of Chapter 6, Article 2 of the Personnel Management Regulations of the Company.
3. If the borrower is not qualified according to these Operational Procedures or the loan balance exceed the limitation because of any reason, the Company shall make an improved plan, submit the plan to the Audit Committee and improve the situation based on the plan.

#### Article 8 Deadline of Public Announcement of Fund Lending

The Company shall announce the loan balance of the previous month of both the Company and its subsidiaries by the 10<sup>th</sup> of each month. If the loan balance of the Company reaches one of the following criteria, the announcement shall be made within two days after the date of occurrence:

1. The aggregate loan balance of both the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
2. The aggregate loan balance of both the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in the Company's latest financial statement.
3. The incremental amount of fund lending made 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 the Company's latest financial statement.

The Company shall make the public announcement about the event mentioned above in paragraph 3 for its subsidiary which is not a public company on a domestic exchange.

The percentage of loan balance over net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's loan balance to the Company's net worth.

The term "Date of occurrence" as used in paragraph 2 means the earlier one among the dates of contract signing, payment, resolution of the Board of Directors, or the other date that the counterparty and monetary amount of the transaction are confirmed.

Article 9 If the subsidiaries of the Company intend to make a loan to others, the Company shall request the subsidiaries to enact the Operational Procedures for Loaning of Company Funds based on the relevant regulations. The subsidiaries shall then comply with these Operational Procedures whenever making loans.

Article 10 The Company shall assess the conditions of fund lending and reserve sufficient allowance for doubtful accounts, adequately disclosing relevant information in its financial reports and providing certified public accountants with relevant information for executing necessary audit procedures.

Article 11 Any matter which are excluded in these Operational Procedures shall be governed by the applicable laws and the relevant charters of the Company.

Article 12 These Operational Procedures shall be approved by the Audit Committee, then being submitted to the Board of Directors and the shareholders' meeting for resolution. The same way is required for amendments of these Operational Procedures. When discussing, the opinions of each Independent Director shall be taken into full consideration. If an Independent Director objects to or expresses reservations about any matter, the opinion shall be recorded in the Board minutes. If there is any objection of a director with a record or written statement, the Company shall submit relative materials of such objection to the Audit Committee and the shareholders' meeting for discussion. The same way is required for any amendments thereof.

Article 13 If there is the Audit Committee established by the Company, the enactments or amendments of these Operational Procedures shall be approved by half or more of all the Audit Committee members and shall be submitted to the Board of Directors for resolution. If the proposal is not approved by more than half of all the Audit Committee members, it shall be managed according to Article 6, paragraph 3 of the Company's Audit Committee Charter.

Article 14 These Operational Procedures were originally enacted on June 28, 1999.  
The 1st amendment was made on April 21, 2003.  
The 2nd amendment was made on May 24, 2006.  
The 3rd amendment was made on June 3, 2009.  
The 4th amendment was made on June 15, 2010.  
The 5th amendment was made on June 6, 2012.  
The 6th amendment was made on June 11, 2013.  
The 7th amendment was made on June 10, 2014.