

# **Procedures for Loaning Funds to Other Parties of Nan Ya Plastics Corporation**

Amended by the Annual Shareholders' Meeting on June 12, 2019

- Article 1: Nan Ya Plastics Corporation (hereinafter referred to as the “Company”) shall comply with the “Procedures for Loaning Funds to other Parties” (hereinafter referred to as the “Procedures”) when making loans to others.
- Article 2: The borrower to which the Company may loan funds shall be limited to where an inter-company or inter-firm business transaction calls for a loan arrangement; or where an inter-company or inter-firm has no business transaction but has a short-term necessary financing facility.
- Article 3: When making loans to the company/firm having business relationship with the Company, the Company shall comply with Article 4, subparagraph 2 hereof. As to loaning funds to a company/firm, which has no business relationship with the Company, for short term financing needs, the borrower shall be:
1. Affiliates of the Company which a short-term financing facility is necessary to meet their business needs.
  2. Companies/firms other than affiliates of the Company which need short term financing for materials purchase, working capital, or general business needs.
- Article 4: Limitation on the aggregate amount of loans and the maximum amount to a single borrower:
1. The aggregate amount of loans to all borrowers shall not exceed 50% of the net worth of the Company. Moreover, the aggregate amount of loans to companies/firms which do not have business relationship with the Company but are in need of short term financing shall not exceed 40% of the Company's net worth.
  2. The aggregate amount of loans to each company/firm, which has a business relationship with the Company, shall not exceed the total transaction amount between the two parties. The foresaid “total transaction amount” shall be the

total purchasing or selling amount over the latest year, whichever is higher and shall not exceed 25% of the Company's net worth.

3. The aggregate amount of loans to each company/ firm in need of short term financing, which is an affiliate of the Company, shall not exceed 25% of the Company's net worth; as to the other borrowers, the aggregate amount of loans to each of them shall not exceed 20% of the Company's net worth.
4. Whenever making advances in accordance with Article 7 hereof, the authorized maximum limit of loans to one borrower shall not exceed 10% of the Company's net worth.

Article 5: Before the Company makes loans to a funds borrower, the Company shall do an investigation and assessment of the following aspects: the purposes of the borrowing, the terms of the security for the borrowing, and the impact on the Company's business operations, financial conditions and shareholders' equity. The limit or maximum amount of lending, tenor and interest calculation terms shall be determined based on these findings, and then submitted to the Board of Directors for approval.

The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

When the Company making major loans to others, it requires approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter 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.

Article 6: The tenor of the loan shall not be longer than one year. The interest rates of the loans shall not be lower than the then current lowest lending interest rates announced by the general

financial institutions.

- Article 7: Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to Article 5, and the Chairman 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.
- Article 8: The Company shall prepare a memorandum book for its fund-loaning 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.
- Article 9: The Company's internal auditors shall audit the Procedures for Loaning Funds to other Parties and the implementation thereof no less frequently than quarterly and prepare written records accordingly. During the auditing, the internal auditor shall immediately correct violation(s) upon finding any violation. If any material violation is found, in addition to notifying the Audit Committee promptly in writing, the personnel who violate the Procedures shall be penalized in accordance with the related rules of the Company.
- Article 10: If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee for its approval and then to the Board of Directors for a resolution, and shall complete the rectification according to the timeframe set out in the plan.
- Article 11: Procedures for controlling and managing loans of funds to others by subsidiaries of the Company are as follows:
1. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own

Procedures for Loaning Funds to other Parties in compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, and it shall comply with the Procedures when loaning funds.

2. The subsidiaries shall compile and submit the schedule, including the details and status of fund-lending as of the end of the previous month to the Company for review by the fifth day of the current month.
3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall promptly notify the Company in writing of any material violation found. The Company shall know how the subsidiary deals with the violation(s), admonish the subsidiary to improve and keep itself informed of the improvement process.

Article 12: The Company shall announce and report the related information of fund-lending to others in compliance with the following requirements:

1. The Company and its subsidiaries shall publicly announce and report the information of fund-lending in accordance with the relevant laws, rules and regulations.
2. 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. The percentage of the aggregate balance of loans to others over net worth of the subsidiary shall be calculated as the subsidiary's balance of loans to others to the Company's net worth.
3. The Company shall evaluate the status of its fund-lending 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 for implementation of necessary audit procedures.

Article 13: After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders'

Meeting for approval before its implementation. Any amendment is subject to the same procedures. The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter 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.