

# **Great Tree Pharmacy Co., Ltd.**

## **Procedures for Loaning of Funds**

**Article 1: Purpose and legal reference**

To protect shareholders' interests, promote sound financial management and to reduce operating risk, the Company has established these Regulations in line with the "Procedures for Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" from the FSC. Any matter related to loaning of funds from the Company will be carried out in accordance with these Regulations.

**Article 2: Loaning of funds to others**

Except for foreign investment needs, in which investments are handled in the form of capital loans pursuant to Paragraph 2, Article 3 of the "Handling Procedures of the Review for Foreign Investments and Technical Cooperation" from the Ministry of Economic Affairs, the Company's loaning of funds to others shall meet one of the below conditions:

- I. Where a company or firm has business transaction with the Company.
- II. Where an inter-company or inter-firm short-term financing facility is necessary.

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.

The restriction in Subparagraph 2, Paragraph 1 shall not apply to inter-company loans of funds between overseas companies, or to the Company by such overseas companies, in which the Company holds directly or indirectly, 100% of the voting shares in these overseas companies. However, there are still restrictions on the total amount of loans and amount of loan to specific entity. The Company shall indicate the durations of loans.

When the person in-charge of the Company violates Paragraph 1 and the supplemental clause to the preceding paragraph, the person in-charge shall be jointly and severally responsible for the repayment with the lender. When the Company incurs losses as a result, the person shall also be held liable for damages.

**Article 3: In engaging in loaning of funds due to business dealings, the basis for such loan shall be that the business transactions have already occurred, and the loan shall be equivalent to the highest amount of the purchase or sale of the Company in the most recent year or as of the current year until the loan is credited.**

The Company may only loan funds due to short-term financing needs:

- I. A company in which the Company either directly or indirectly holds 50% or more of shares has financing needs due to repayment of bank loans, acquisition of equipment or business turnover needs.
- II. A company in which the Company either directly or indirectly holds 50% or more of shares has financing needs due to reinvestment needs, and said reinvestment is related to the Company's business and will be beneficial to the Company's future business development.

Article 4: The total of capital lent by the Company and the quota permitted to an individual object:

The total lending amount of lending to others shall not exceed 40% of the net value of the Company as stated on the most recent financial statements attested by the CPA. Financing limit to individual entities and reasons:

- I. In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed the total amount of the business transactions (sale/purchase) between the Company and the borrower.
- II. In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 20% of the net value of the Company as stated on the most recent financial statements attested by the CPA, and the amount of loan shall not exceed 40% of the borrower's net worth.

Article 5: The Company's procedures for fund lending

I. Review procedures

In handling lending of funds, company or entity requesting for the loan shall apply for the loan by attaching relevant financial information and stating the use of the loan in writing.

After accepting the application, the Company's responsible unit will investigate and evaluate whether the borrower and the Company have direct (or indirect) business relationship, the financial status of its business, solvency and credit, profitability, and the purpose of the loan, and consider the degree of impact of the loan on the Company. Subsequently, the Company will propose a relevant written report to the Board of Directors for review. Detailed review procedures shall include:

- (I) Necessity and reasonableness of the loaning of funds.
- (II) Credit and risk evaluation of the borrower.
- (III) Impact on the Company's business operations, financial status and shareholders' rights.
- (IV) Whether collateral shall be obtained and valuation of the collateral.

II. Security

When the Company handles capital loan or short-term financing matters, secured bill of the same amount shall be received. Asset or fixed asset collateral shall also be processed when necessary. For the security for claims in the preceding paragraph, if the borrower provides adequate capital and credible individual or corporate guarantee in place of collateral, the Board of Directors may consider the review report from the responsible unit and proceed with the loan. Those using companies as guarantee shall pay attention to any clause permitting the use of the company as collateral in its Articles of Incorporation.

III. Scope of delegated authority

Prior to lending of funds to others, the Company shall prudently evaluate whether it complies with the "Procedures for Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and the "Procedures for Loaning of Funds" established by the Company. This shall be submitted along with the evaluation result from the review procedure stipulated by Item 4, Paragraph 1 to the Board of Directors for resolution, and the approval shall not be granted by other parties.

When the Company lends funds to others, it shall take each Independent Director's opinions into full consideration; Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 6: Term of loan and methods of interest calculation:

- I. In general, the term of the loan shall be limited to one year, and in case it exceeds one year, the term may be extended only if approval from the Board of Directors has been received.
- II. Interest from the loans shall not be lower than the average interest of short-term borrowing to financial institutions and shall be calculated on a monthly basis. In case of extenuating circumstances, the interest may be adjusted based on actual conditions upon approval from the Board of Directors.

Article 7: Control actions upon the loan and procedures for disposing of overdue debt

Upon the release of the funds, the Company shall pay attention to the borrower's and guarantor's financial, business and credit status, etc. In cases involving collateral, the Company shall pay attention to its guarantee value and any change thereto and to prepare written reports. In case of material changes, the General Manager and relevant responsible units shall be immediately alerted to take necessary actions.

When the borrower repays the loan when the term expires or if the borrower repays the loan early before its expiration, the repayment shall be made together with the interest payable on the principal before the guaranteed bill can be returned to the borrower, or before the collateral can be written off.

In case the borrower fails to repay the loan and requires an extension of the term, the borrower must make a request in advance and to obtain the approval from the Board of Directors. The Company may dispose of the guarantor or collateral and seek for claims in accordance with the law in case of violation.

Article 8: Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own "Procedures for Loaning of Funds," and it shall comply its Procedures when loaning funds. In addition, the aggregate and individual limits on subsidiary's loaning of funds to others are as follow:

- I. Domestic subsidiary organized under the Company Act: The total lending amount of lending to others shall not exceed 40% of the net value of the subsidiary as stated on the most recent financial statements attested by the CPA. Financing limit to individual entities and reasons:
  - (I) In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed the total amount of the business transactions

(sale/purchase) between the Company and the borrower.

(II) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 20% of the net value of the Company as stated on the most recent financial statements attested by the CPA.

II. Foreign subsidiaries not organized under the Company Act: The total lending amount of lending to others shall not exceed 100% of the net value of the Company as stated on the most recent financial statements attested by the CPA. Financing limit to individual entities and reasons:

(I) In the case of lending funds to companies or firms who have a business relationship with the Company, the total lending amount of an individual borrower shall not exceed the total amount of the business transactions (sale/purchase) between the Company and the borrower.

(II) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 20% of the net value of the Company as stated on the most recent financial statements attested by the CPA.

Article 9: 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 according to regulations, for future reference.

Article 10: The Company's internal auditors shall audit the "Procedures for Loaning of Funds" 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.

Article 11: If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer 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, and shall complete the rectification according to the timeframe set out in the plan.

Article 12: The Company shall store all documents related to lending of funds to others in a safe and secure manner, and to reevaluate the possibility of recovery of claims from time to time. When overdue occurs, security measures shall be taken immediately.

Article 13: When the Company's managers and processing personnel violate the Procedures in lending of funds to others, in addition to the handling in accordance with human resource policy, the Company shall also adopt relevant legal actions to reduce the Company's losses.

Article 14: Starting from the month of the Company's public issuance on the TWSE or the TPEX, the Company's loaning of funds to others shall be publicly announced pursuant to regulations from the FSC.

Article 15: The Regulations shall be approved by the Audit Committee and approved by Board of Directors by resolution, and shall be submitted to a Shareholders' Meeting for approval; If any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to a Shareholders' Meeting for discussion, the same applies when the Procedures are amended.

If the approval of the Audit Committee is not obtained as described in the preceding paragraph, the establishment or revision of 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 meeting.

Article 16: When the Company submits its "Procedures for Loaning of Funds" for discussion by the Board of Directors, the Board of Directors shall take into full consideration each Independent Director's opinion; Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 17: The Procedures were enacted on June 15, 2012; and first amendment took place on June 25, 2013; second amendment was on June 26, 2019; third amendment was on June 17, 2020.