

LOTUS PHARMACEUTICAL CO., LTD
PROCEDURES FOR LOANING OF FUNDS AND MAKING OF
ENDORSEMENTS AND GUARANTEES

[English translation for reference only]

Approved on 2016/06/27

Section 1 Procedures for Loaning of Funds

Article 1 The Company shall follow the Procedures set forth below for lending funds to other parties. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet.

Article 2 The party to whom the Company may lend its funds shall be limited to:

1. Companies having business relationship with the Company where the funding needs result from the business; or
2. Companies in need of funds for a short-term period, provided that such financing amount shall not exceed forty percent (40%) of the Company's net worth. Such short-term lending shall only be made to:
 - I. A company where fifty percent (50%) of the voting shares is directly or indirectly held by the Company that needs short-term financing for its financial operations; or
 - II. A company directly and indirectly holding more than fifty percent (50%) of the voting shares of the Company that needs short-term financing for its financial operations; or
 - III. Major customers or vendors of the Company that needs short-term financing for material purchasing or business

- operations; or
- IV. Other necessary short-term financing and financial loans that have been approved by the Board of Directors of the Company.

“Short-term period” hereof shall mean the period of one (1) year.

Article 3 The total amount for lending purpose and the maximum amount available to any borrower are set forth below:

1. The total amount available for lending purpose shall not exceed forty percent (40%) of the Company’s net worth.
2. The total amount for lending to companies having business relationship with the Company shall not exceed twenty percent (20%) of the Company’s net worth. The amount for lending to a single company having business relationship with the Company shall not exceed ten percent (10%) of the Company’s net worth and the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending.
3. The total amount for lending to companies for funding for a short-term period shall not exceed forth percent (40%) of the Company’s net worth. The amount for lending to a single company for funding for a short-term period shall not exceed forty percent (40%) of the Company’s net worth.

When there is a lending for funding needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such lending shall not be subject to the aforesaid limits. However, limitations on amount and tenor as stated in its internal lending fund operations, following relevant competent authorities’ regulations, shall still apply.

Article 4 Duration and interest calculation:

The term of each loan shall not exceed one (1) year and may be extended if necessary by being applied one (1) month before the

original due date. The interest rate shall not be lower than the short-term borrowing rate quoted by financial institutions. The interests shall be calculated on a monthly basis.

Duration for lending between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, shall not be subject to the aforesaid restrictions. The interest rate shall not be lower than the short-term borrowing rate quoted by financial institutions. The interests shall be calculated on a monthly basis.

Article 5 Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail the loan amount requested, term, purpose and collateral, together with certain basic information and financial data, to the Company to facilitate the evaluation and credit checking by the Company.

Finance Department, based on the aforesaid information, shall then evaluate the necessity and rationality of the loan application, the credibility and risk of the borrower, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral

Article 6 Except for subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares and a company directly and indirectly holding more than fifty percent (50%) of the voting shares of the Company, any other borrower shall provide a promissory note, collateral and/or other guarantee as requested by the Company in an amount equivalent to that of the loan when making an application. If any collateral is provided, legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.

Article 7 All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance

shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The Company shall be named as the beneficiary of the insurance. The collateral shall only be cancelled when the borrower repay the loan.

Article 8 After a loan is extended, the finance department shall periodically evaluate the financial status and credit of the borrower and guarantor (if any). In the event that a loan is over-due and not repaid even after the Company's repeated attempt to collect payment, the finance department shall immediately notify the legal department for further legal actions to protect the Company's interest.

Article 9 Any lending of the Company's funds shall be evaluated with and subject to the relevant regulations announced by the securities regulatory authority and the Procedures, and then submitted, together with the result of the evaluation made as described in Article 5 and Article 6, to the Board of Directors for its approval and no delegation shall be made to any person in this regard. However, material lending of funds shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.

Lending between the Company and its Parent company, subsidiaries, or among the subsidiaries, shall be approved by the Board of Directors of the Company, which the Board may authorize the Chairman to lend funds to a specific borrowing counterparty, within a certain pre-approved monetary amount and within a period not exceeding one year, in one or several drawdowns or via a revolving credit line.

Article 10 Should there be any lending which is required to be reported to the governmental authority-in-charge or to be publicly announced, such report or public announcement shall be made by the Company in accordance with the relevant laws, rules and regulations. If there is any reporting and announcement required for the Company's

subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary.

Article 11 The Company shall establish and maintain a reference book to record all its lendings and related information in accordance with the relevant regulations.

Article 12 Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.

Article 13 When lending to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for lending funds to other parties. Such procedures shall be approved by the subsidiary's Board of Directors and/or Shareholders' Meeting, and become effective thereafter. The Company should also mandate the subsidiary to handle lending in accordance with its procedures.

When lending to other parties is contemplated by the subsidiary of the Company, a credit assessment report and comments, together with the proposed terms and conditions of lending, should be submitted to and approved by the Board of Directors of the subsidiary.

Relevant information of any lending granted by the Company's subsidiary shall be provided regularly to the Company for inspection.

Section 2 Procedures for Making of Endorsements and Guarantees

Article 14 The Procedures set forth below are the guidelines for the Company to provide endorsement and/or guarantee to outside parties. Any

other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to owners of the parent in the balance sheet.

Article 15 The party to whom the Company may provide endorsement and/or guarantee include the following:

1. Any company who has business relationship with the Company;
and
2. Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly or indirectly by the Company; and
3. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares

Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other, and the total amount of such endorsement/guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company.

Article 16 The scope of "endorsement and/or guarantee" is defined as follows:

1. Financing endorsement and/or guarantee, including:
 - I. Endorsement/guarantee to customers' notes for cash financing with a discount;
 - II. Endorsement/guarantee for another company for its financing needs;
 - III. Endorsement/guarantee to the notes issued by the Company to non-financial institutions and entities for the Company's own financing needs.

2. Endorsement/guarantee of customs duties due from the Company or other companies
3. Other endorsements/guarantees which are not included under paragraphs 1 and 2.

The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan should also follow the policies and procedures set forth herein.

Article 17 The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries is subject to the following limits:

1. The total amount of endorsement/guarantee shall not exceed fifty percent (50%) of the Company's net worth.
2. The total amount of the endorsement/guarantee to any single company shall not exceed fifty percent (50%) of the Company's net worth.
3. The total amount of endorsement/guarantee provided by the Company to any single company deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee where the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher.

In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

Article 18 If, due to changes of circumstances, the party to whom the Company

provided endorsement and/or guarantee no longer satisfies the criteria set forth in the Procedures, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a corrective plan shall be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in the plan.

Article 19 The procedures and authority level for providing endorsement and/or guarantee are defined as follows:

1. Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority, and the Procedures. Finance Department shall then evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming Board of Directors' Meeting for ratification.
2. Material endorsements and/or guarantees shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.
3. In case the Company contemplates to provide endorsement and/or guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall request the subsidiary to provide improvements for its business, financial, and credit statuses as well as sources of repayment.

The improvement measures shall be approved by the Board of Directors before being implemented. Where the Board of Directors does not consent with the improvement measures proposed, a plan shall be formulated in order to discharge the amount in excess within a given time limit. For purposes of determining the paid-in capital of the above-mentioned subsidiary who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be deemed as its paid-in capital.

4. The Company shall establish and maintain a reference book to record all endorsement/guarantee-related information in accordance with the relevant regulations.
5. The Company shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing and issuing auditing report.

Article 20 When providing endorsement/guarantee to another company, the Company may require the endorsee/guarantee company to provide collaterals.

Article 21 The seals for endorsement/guarantee should be the official corporate seals registered with the Ministry of Economic Affairs and shall be kept separately by persons appointed and authorized by the Board of Directors. Internal procedures must be followed for sealing purposes. When providing endorsement/guarantee to a foreign company, the endorsement/guarantee letter should be executed and signed by the person delegated by the Board of Directors.

Article 22 Should there be any endorsement/guarantee which is required to be reported to the governmental authority-in-charge or to be publicly announced, such report or public announcement shall be made by the

Company in accordance with the relevant laws, rules and regulations. If there is any reporting and announcement required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary.

Article 23 When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for endorsement/guarantee. Such procedures shall be approved by the the Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. The Company should also mandate the subsidiary to handle endorsement/guarantee in accordance with its procedures.

Relevant information of the endorsement/guarantee extended by the Company's subsidiary should be provided regularly to the Company for inspection.

The endorsement/guarantee made between the subsidiaries, whose voting shares are at least 90% owned, directly or indirectly, by the Company, shall be submitted to the Board of Directors for approval in advance, provided, however, this approval requirement shall not apply to endorsement/guarantee made between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

Section 3 Others

Article 24 The Company's internal auditors shall perform auditing on the Company's lending profile every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee.

Article 25 The Company's managers and persons-in-charge shall follow the Procedures in order to prevent the Company from incurring any losses. Should there be any violation of related regulations or the

Procedures, subsequent castigation is subject to the related internal rules of the Company or change of work scope.

Article 26 The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders' Meeting. Any amendment is subject to the same procedure.