

# **Procedures for Loaning of Funds of President Chain Store Corporation**

Amended in June 2019

- I. The entities to which the Company may loan funds:
  - 1. The entities which have business relationship of franchise business operation with the Company.
  - 2. The entities which require short-term loan of funds.
- II. Criteria for evaluating granting of fund:
  - 1. Where funds are loaned for business relationship, the Company shall examine whether the loan amount and business transaction amount are equivalent.
  - 2. Where the entities which meet the requirement for granting loan need the short-term loan of funds to repay loan, purchase equipment and circulate funds, the Company shall evaluate the validity and essentiality of the loan.
- III. Total of granted loan and limit on single counterpart:
  - 1. Total of granted loan: 40% of the Company's net worth
  - 2. Limit on single counterpart:
    - (1) Where funds are loaned for business relationship, the total amount shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending. The so-called " transaction amount" shall mean the amount of profit shared based on the franchise agreement between the parties and shall not exceed NT\$10,000,000.
    - (2) Where short-term financing is needed, the lower of NT\$50,000,000 per entity below or 10% of the net worth of the most recent financial statement certified or reviewed by a certified public accountant.
- IV. Deadline of loan and method to accrue interest:
  - 1. The fund loaning shall be effective for one year and may be repaid in installments. Where funds are loaned for business relationship, the duration of loans shall not exceed the remaining duration of the franchise agreement.
  - 2. Method to accrue interest: The lending interest rate shall be adjusted subject to the Company's funding cost from time to time, but shall be no less than the average interest rate applicable to the loan from a financial organization, accruing on a monthly basis. In the case of special circumstances, it may be adjusted upon approval of the Board of Directors.
- V. Operational Procedures for Loaning Funds:
  - 1. The borrower shall apply for the funds with the Company by submitting the relevant information. Upon examining the application, the Company's finance unit will submit it to the President for

approval and have it resolved by the Board of Directors. Only 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, and the Chairman of Board 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. The certain monetary limit on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most recent financial statements certified or reviewed by a certified public accountant of the lending company, except in cases of companies in compliance with Article 10, paragraph 4.

2. The Company's financial unit shall prepare the memorandum book to control the said fund loaning activities.
3. Where the balance of the loan exceeds the limit due to change in circumstances, it is necessary to define the corrective action plan and submit the relevant plan to Audit Committee. Meanwhile, it is necessary to complete the correction as scheduled under the plan.
4. The Company's internal auditors shall audit the Operational Procedures for Granting Loans and execution thereof on a quarterly basis and record the audit in writing. Where they find any material violation of rules, they shall inform Audit Committee in writing immediately.

VI. Examination on granting of fund:

1. To verify the entity's purpose for the loan and the limit and balance of the loan to be granted by the Company, and to evaluate the necessity and validity;
2. Repayment plan and evaluated risk for the granted loan;
3. Impact on the company's business operations, financial condition, and shareholders' equity;
4. Analyze the financial statements of borrowers granted the loan;
5. Evaluate the necessity to acquire collateral and appraisal of collateral;
6. Submit the application to Board of Directors for resolution.

VII. Publication and declaration:

Publication and declaration of the Company's granting of loan shall be subject to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies promulgated by Financial Supervisory Commission, Ministry of Finance.

VIII. Follow-up control over granted loan and procedure for processing NPA:

1. Analyze the solvency of the borrower granted the loan on a periodical basis;
2. Evaluate the granting of loan and provide adequate allowance for bad debt;
3. Follow up the development and cause of NPA on a periodical basis, and appoint the Legal Department to take care of it.

IX. Penalty to managers and persons-in-charge in violation of these Rules:

Where the competent staff fail to comply with these Rules and thereby cause the Company to be

disciplined by the competent authority, the staff will be disciplined according to the Company's relevant rules for reward and punishment.

X. Procedure for controlling subsidiaries' granting of loan:

1. Where any subsidiary intends to grant loan to others due to need for business, it shall define the "Operational Procedures for Granting Loan", and submit it to the Board of Directors for approval and report it to the shareholders' meeting for ratification. The same shall apply where it is amended.
2. Subsidiaries shall grant the loan of funds to others subject to the "Operational Procedures for Granting Loan" defined by them individually, and entrust the Company to publish and declare it in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies promulgated by Financial Supervisory Commission, Ministry of Finance.
3. Where any subsidiary intends to grant others the loan of more than NT\$50,000,000 due to need for business, the loan shall be granted upon approval of the Board of Directors.
4. The loans between overseas subsidiaries which are 100%-owned directly or indirectly by the Company, or the loans from overseas 100%-owned subsidiaries to the Company are free from the limit on 40% of the Company's net worth, and the funding period is also free from the limit of one year or one business cycle; however, the entities still need to state the maximum amount and duration of the loan in the Operational Procedures.

XI. Any matters not provided herein shall proceed according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by Financial Supervisory Commission, Executive Yuan and the relevant laws and regulations.

XII. These procedures shall be agreed by the Audit Committee, passed by the board of directors, and resolved during the shareholders meeting before taking effect; the same applies to all subsequent revisions.

XIII. When the Operational Procedures for Granting Loans are being discussed among the board of directors, the opinions of the independent directors must be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors must be shown in the board of directors meeting minutes.

XIV. Revisions: The initial version was revoked in June 1990.

The revised version was revoked in June 1991.

The revised version was revoked in June 1995.

The revised version was revoked in June 1997.

The revised version was revoked in June 1998.

The revised version was revoked in June 2002.

The revised version was revoked in June 2003.

The revised version was revoked in June 2007.  
The revised version was revoked in June 2009.  
The revised version was revoked in June 2011.  
The revised version was revoked in June 2012.  
The revised version was revoked in June 2013.  
The revised version dated June 2019.