

## PharmaEngine, Inc.

### Operational Procedures for Endorsements/Guarantees

#### Article 1 Purpose of Adoption:

The Operational Procedures are formulated to protect the rights and interests of shareholders of PharmaEngine Inc. (the “Company”), improve the financial management of handling of endorsements and guarantees, and reduce operating risks. Any other matters not set forth in the Operating Procedures shall be dealt with in accordance with applicable laws and regulations.

#### Article 2 Legal Basis:

The Operational Procedures are formulated pursuant to the Regulations Governing Making of Endorsements/Guarantees by Public Companies (the “Regulations”) issued by the Financial Supervisory Commission (the “Commission”). However, if other laws or regulations provide otherwise, such provisions shall govern.

#### Article 3 Scope of Application:

The scope of endorsements/guarantees under the Operational Procedures is as follows:

1. Financing endorsements/guarantees:
  - (1) Bill discount financing.
  - (2) Endorsement or guarantee made to meet the financing needs of another company.
  - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
2. Customs duty endorsement/guarantee: It means an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees: It means endorsements or guarantees beyond the scope of the above two subparagraphs. Any creation of a pledge or mortgage on its chattel or real property as security for the loans of another company.

However, the Company only makes the following endorsements/guarantees:

1. Customs duty endorsement/guarantee.
2. Where the Company provides mutual endorsements/guarantees for another company in the same industry due to the provision of hospital or government procurement contracts.
3. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

#### **Article 4 Object of Endorsements/Guarantees:**

The Company may make endorsements/guarantees for the following objects:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

#### **Article 5 Amount of Endorsement/Guarantees:**

The following are regulations regarding the aggregate endorsement/guarantee amount, as well as the amount of endorsements/guarantees for any single entity, that the Company and its subsidiaries as a whole are permitted to make:

1. The amount of the endorsements/guarantees for any single entity reaches 20% of the Company's net worth as stated in its latest financial statement.
2. The aggregate amount of endorsements/guarantees shall not exceed 50% of net worth as stated in the latest financial statement.
3. In addition to the above two regulations, for endorsements/guarantees arising from direct business relationships, the amount shall not exceed 50% of the aggregate amount of transactions with the Company in the most recent year (based on the purchase or sales amount between the two parties, whichever is lower).

The term "latest financial statement" refers to the financial statements certified by an accountant in the most recent period.

#### **Article 6 Procedures for Handling Endorsements/Guarantees and Detailed Review:**

1. The company requesting an endorsement/guarantee shall provide detailed financial information to the Finance and Administration Department of the Company. Before processing the endorsement/guarantee, the Finance and Administration Department shall conduct a credit investigation and assess the impact on the Company's business operations, financial condition, and shareholders' equity, evaluate the eligibility of the applicant for an endorsement/guarantee, the necessity of and reasonableness of an endorsement/guarantee, whether the amount of such endorsement/guarantee arising from business dealings is commensurate with the business transaction amount between the two companies, and whether collateral must be obtained and appraisal of the value thereof, and an analysis report shall be made.
2. The Finance and Administration Department shall prepare a memorandum book and record in detail the following information for future reference: the entity for

which the endorsement/guarantee is made, the amount, the promised guarantee items, the date of passage by the Board of Directors or of authorization by the chairperson of the Board, the date the endorsement/guarantee is made, details of collateral and the assessed values, and conditions and dates for the termination of the endorsement/guarantee.

3. The chairperson of the Board is authorized to approve the endorsement/guarantee for the endorsee and/or guarantee companies within the limit of 20% of the current net worth. The execution of the endorsement/guarantee shall be handled by the Finance and Administration Department, and it shall be subsequently reported to the next board meeting for confirmation. However, if the accumulated balance of the endorsement/guarantee exceeds 20% of the current net worth, it shall be submitted to the Board of Directors for approval, and the endorsement/guarantee shall be carried out in accordance with the Board of Directors' resolution.
4. The Finance and Administration Department shall only proceed with the endorsement/guarantee if it has obtained an equivalent and same-term promissory note from the guarantee company. When necessary, collateral shall be secured.
5. The Finance and Administration Department shall be responsible for following up on and examining the financial condition and the use of funds of the endorsee and/or guarantee company. In the event of significant changes, the Department should promptly report to the general manager and the chairperson of the Board and take appropriate actions as necessary.
6. After the termination or cancellation of the guarantee matters, the endorsee and/or guarantee enterprise shall promptly notify and provide copies of relevant documents to the Company. This will ensure that the Company keeps updated memorandum book for its endorsement/guarantee activities. If the endorsee and/or guarantee enterprise has provided collateral, the Company shall return the collateral to the endorsee and/or guarantee enterprise without interest upon receiving the notification.
7. The Company shall periodically evaluate and record the contingent loss for endorsements/guarantees in accordance with financial accounting standards, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures to issue an appropriate audit report.
8. The Company's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all members of the audit committee in writing of any material violation found.
9. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Finance and Administration Department shall conduct regular assessments of the subsidiary's financial condition and cash flow situation and report the findings to the general manager and the chairperson of the Board for appropriate actions.

**Article 7 Procedures for Controlling and Managing Endorsements/Guarantees by Subsidiaries:**

1. A subsidiary of the Company shall formulate its own Operational Procedures for Endorsements/Guarantees in compliance with these Operational Procedures, and it shall comply with its Operational Procedures when making

- endorsements/guarantees. By the 5th of each month, the endorsement/guarantee information from the previous month shall be submitted to the Finance and Administration Department of the Company for compiling and future reference.
2. At the beginning of each month, the Finance and Administration Department shall present the detailed statement of endorsement/guarantee balances for the previous month of the Company and subsidiaries in which the Company holds equity exceeding 50% to the chairperson of the Board for review.
  3. The subsidiaries' internal auditors shall audit the Operational Procedures for Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit unit of the Company in writing of any material violation found. The Company's audit unit shall provide written information to all members of the audit committee.
  4. When the Company's auditors conduct audits at subsidiaries as per the annual audit plan, they shall also inquire about the execution of the Operational Procedures for Endorsements/Guarantees for Others. If any deficiencies are found, continuous follow-ups on the improvement progress shall be conducted and prepared as follow-up reports to be submitted to the chairperson of the Board.
  5. Before making any endorsement/guarantee pursuant to Article 4, paragraph 5, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution. However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

#### **Article 8 Procedures for Use and Custody of Corporate Chops:**

The Company uses the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person and may be used to seal or issue negotiable instruments only in accordance with the Operational Procedures and the Operational Guidelines for Seal Management. The custodian of the dedicated chop for endorsements/guarantees shall obtain approval from the Board of Directors, and the same applies when making changes.

#### **Article 9 Decision-Making and Authorization Levels:**

1. When conducting endorsement/guarantee matters, the Company shall obtain prior approval from the Board of Directors. The Board of Directors may authorize the chairperson of the Board to execute endorsements/guarantees within 20% of the current net worth, with subsequent confirmation from the most recent board meeting.
2. If there is a need to exceed the limits set in Article 5 due to business requirements, the Company shall obtain approval from the Board of Directors. In addition, more than half of the directors should provide explicit joint guarantees for any potential losses resulting from exceeding the limits. The Operational Procedures shall be modified accordingly and submitted for ratification by the shareholders' meeting. If

the shareholders' meeting does not approve, a plan shall be established to eliminate the excess portion within a specified period of time.

3. Where under discussion by the Board of Directors under the preceding paragraph, each independent director's opinion shall be taken into full consideration. Independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board meeting.

#### **Article 10 Announcing and Reporting Procedures:**

The Company shall input the endorsement/guarantee balances of the Company and its subsidiaries for the previous month into the Market Observation Post System by the 10th of each month. If the endorsement/guarantee amount meets one of the following, it shall be inputted into the Market Observation Post System within two days from the date of occurrence:

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/ guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.

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 pursuant to subparagraph 4 of the preceding paragraph.

#### **Article 11 Transitional Clause:**

If the entity for which the Company makes an endorsement/guarantee originally complied with the provisions of Article 4 but subsequently no longer meets the requirements of the Operational Procedures, or if the endorsement/guarantee balance exceeds the limit due to changes in the basis for calculating the limit, an improvement plan shall be established. The relevant improvement plan shall be submitted to all members of the Audit Committee, and the improvements should be completed according to the schedule outlined in the plan.

#### **Article 12 Penalties for Violations by Managerial Officers and Personnel in Charge:**

When managerial officers and personnel in charge of the Company violate the Operational Procedures, they shall be reported for assessment in accordance with the

Company's human resources management policies. The penalty shall be according to the seriousness of the circumstances.

### **Article 13**

The adoption of or amendments to the Operational Procedures shall be approved by more than half of all Audit Committee members and further approved through a resolution of the Board of Directors before being submitted for the approval of the shareholders' meeting and implemented. If there are directors who express objections and have documented or written statements, the Company shall submit their objections to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.

If the approval of more than half of all Audit Committee members is not obtained as stated in the preceding paragraph, the decision may be made by approval by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting.

Where the Operational Procedures are submitted for discussion by the Board of Directors, each independent director's opinion shall be taken into full consideration. Independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board meeting.

### **Article 14**

The Operational Procedures was adopted on June 29, 2011.

The first amendment was made on June 20, 2013.

The second amendment was made on June 15, 2016.