



## PharmaEngine, Inc.

### Operational Procedures for Loaning Funds to Others

May 27, 2022

Amended and approved by Shareholders' General Meeting

#### Article 1 Applicable Laws and Regulations

The Operational Procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act (the "Act") and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (the "Regulations") issued by the competent authority.

#### Article 2 Scope of these Procedures

1. PharmaEngine Inc. (the "Company") shall comply with the Operational Procedures when making loans to others. However, if other laws or regulations provide otherwise, such provisions shall govern.
2. Where any subsidiary of the Company intends to make loans to others, it shall formulate its own Operational Procedures for Loaning Funds to Others in compliance with the Regulations and the Operational Procedures of the Company, and it shall comply with the Operational Procedures of such subsidiary when loaning funds.

#### Article 3 Definition

1. "Subsidiary" and "parent company" as referred to in the Operational Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. "Net worth" in the Operational Procedures means the balance sheet equity attributable to the owners of the parent company under the International Financial Reporting Standards.
3. The term "announce and report" as used in the Operational Procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.
4. "Date of occurrence" in the Operational Procedures means the date of transaction contract signing, date of payment, dates of resolutions by the Boards of Directors, or other date that can confirm the counterparty and monetary amount of the loan of funds, whichever date is earlier.

#### Article 4 Entities to which the Company may loan funds to

1. The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
  - (1) A company or firm that has business transactions with the Company.
  - (2) A company or firm that is necessary for short-term financing needs. Financing amount shall not exceed 40% of the Company's net worth.
2. The term "short-term" as used in the preceding paragraph means one year. However, if the company's operating cycle exceeds one year, "short-term" shall mean one operating cycle.
3. The term "financing amount" as used in paragraph 1, subparagraph 2 of this

Article means the cumulative balance of the Company's short-term financing.

4. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the Company shall still prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans.

#### **Article 5 The aggregate amount of loans and the maximum amount permitted to a single borrower**

1. Aggregate amount of loans:

The aggregate amount of loans granted shall not exceed 50% of the net worth of the Company.

(1) For a company or firm that has business transactions with the Company, the aggregate amount of loans granted shall not exceed 10% of the net worth of the Company.

(2) For a company or firm that is necessary for short-term financing needs, the aggregate amount of loans granted shall not exceed 40% of the net worth of the Company.

2. The maximum amount of loans permitted to a single borrower:

(1) For a company or firm that has business transactions with the Company, the amount of an individual loan granted shall not exceed the business transaction amount between the parties.

"Business transaction amount" refers to the amount of purchase or sale, whichever is higher, within the past year or forecasted for the next year between the parties, provided that such amount shall not exceed 10% of the net worth of the Company.

(2) For a company or firm that is necessary for short-term financing needs, the amount of an individual loan granted shall not exceed 10% of the net worth of the Company.

3. For inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, the aggregate amount shall not exceed 20% of the net worth of the Company; each individual loan shall not exceed 10% of the net worth of the Company.

#### **Article 6 Procedures for handling loans of funds**

1. Approval authority

(1) The Company may handle matters related to loans of funds only after the resolution by the Board of Directors. The Company shall not empower any other person to make such decision.

(2) Subsidiaries under Article 2 of the Operational Procedures may handle matters related to loans of funds after the resolution by the Board of Directors of the subsidiaries.

(3) Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the chairperson of the 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” mentioned in the preceding paragraph 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 current financial statements of the lending company, except in cases of companies in compliance with Article 4, paragraph 4.

2. Credit status and credit limit approval

When handling matters related to loans of funds, the Company should conduct a detailed review, including the necessity of and reasonableness of extending loans to others, borrower credit status and risk assessment, impact on the Company’s business operations, financial condition, and shareholders’ equity, and whether collateral must be obtained and appraisal of the value thereof.

After reviewing the credit information and conducting an evaluation of cases proposed for approval, the handling personnel shall provide a credit report and review comments to be reported to the Board of Directors for approval in a hierarchical manner.

3. The Company shall prepare a memorandum book for its fund-lending activities and record the important information related to loans of funds.

**Article 7 Duration of loans and calculation of interest**

1. Duration of loans:

The term of each loan shall be within one year; however, if the company’s operating cycle exceeds one year, such term shall mean one operating cycle.

2. Calculation of interest:

(1) The interest rate for loans of funds shall take into consideration the deposit and borrowing interest rates of the Company in financial institutions.

(2) For overseas subsidiaries under Article 2 of the Operational Procedures, the calculation method of interest for loans of funds may be subject to the provisions of local laws and regulations without limitation of the previous subparagraph.

**Article 8 Subsequent measures for control and management of loans, and procedures for handling delinquent creditor’s rights**

1. After a loan is extended, the financial, business, and credit status of the borrower and guarantor shall be regularly monitored. If collateral has been provided, attention should also be given to any changes in the value of the collateral.

2. If, as a result of a change in circumstances, an entity for which funds are loaned does not meet the requirements of the handling procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans, submit them to the Audit Committee, and complete the rectification according to the timeframe set out in the plan.

3. Prior to the expiration of the loan term, the borrower shall be notified to repay the principal and interest in a timely manner. When the borrower repays the loan upon expiration, the accrued interest shall be calculated and repaid along with the principal.

4. If the borrower fails to repay the principal and interest on time, the Company shall request immediate repayment of the entire loan amount or proceed with the disposal and recovery of the provided collateral or guarantees in accordance with the law.

#### **Article 9 Internal audit**

The internal auditors shall audit the Operational Procedures for Loaning Funds to Others 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 10 Information disclosure**

1. The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.

2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

(1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.

(2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.

(3) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the Company's net worth as stated in its latest financial statement.

3. 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 3 of the preceding paragraph.

4. The Company shall evaluate the status of its loans of funds 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 auditing procedures.

#### **Article 11 Penalty**

1. When the Company's managerial officers and personnel in charge violate the Operational Procedures, their actions should be reported for assessment in accordance with the Company's personnel management policies and employee handbook. The penalty shall be according to the seriousness of the circumstances.

2. When the Company's responsible person violates limits set by the Operational Procedures and engages in fund lending beyond the prescribed limits, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.

## **Article 12 Other matters**

1. The Operational Procedures should be implemented after obtaining the approval of more than half of the members of the Audit Committee and receiving approval through a resolution of the Board of Directors. Any amendments to the Procedures should also follow the same process and be approved by the shareholders' meeting before implementation.

If there are directors who express objections and have documented or written statements, the Company shall submit their objections to the Audit Committee and report them for discussion at the shareholders' meeting.

2. If the approval of one-half or more of all Audit Committee members as required in the preceding paragraph is not obtained, 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.

3. The terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

4. For subsidiaries under Article 2 of the Operational Procedures, the Operational Procedures for Loaning Funds to Others shall be established and decided upon by the Board of Directors of the respective subsidiaries. The same process applies for any amendments to the Procedures.

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