

PharmaEngine, Inc.

Salary Policy, System, Standards and Structure

I. Salary Policy

1. The importance of the business model and talent

The global biopharmaceutical industry has evolved into a diversified and specialized industry value chain. Through collaboration within the industry value chain and strategic alliances among companies, the overall industry competitive advantages can be created. PharmaEngine utilizes the approach of international strategic alliance for new drug development and adopts the “Virtual Pharmaceutical Company Business Model” to mitigate risks of new drug development and expedite product commercialization. Therefore, PharmaEngine is a company that integrates the industry value chain for new drug development, rather than a traditional company. Therefore, attracting and retaining excellent employees who align with the Company’s strategic values is the most critical component for PharmaEngine’s future growth. After the Company’s stock was listed on the over-the-counter market on September 18, 2012, the operational scale gradually expanded. To meet the future demands of executing new drug development projects, the Company will schedule its human resource needs, hoping to enable the growth of the present employees and timely recruitment of personnel with other expertise and to facilitate the introduction of more new drug projects for more patients’ benefits and maximize profits for shareholders.

2. Objective

The primary objective of the Company’s strategic salary design is to support the Company’s strategic goals, effective recruitment, motivation, and retention of talent so as to contribute to the core values of PharmaEngine. Internally, the principles of fairness and consistency shall be followed to reflect a performance-driven culture and to meet current and future organizational structure of the Company’s overall salary standards. Externally, the Company’s overall compensation standards and reward system shall remain competitive within the biopharmaceutical industry.

3. Key factors of salary policy

The salary policy of the Company is determined based on comprehensive consideration of the Company's overall compensation positioning in the market, the results of industry salary surveys, the growth cycle of the industry in which the Company operates, and internal fairness. The following is an explanation of the various factors that contribute to the decision-making of our company's salary policy.

(1) The overall compensation of the Company in the market.

The salary levels at PharmaEngine are determined based on the position level, job attributes, and the level of difficulty in finding suitable alternatives in the market.

(2) Industry salary surveys

1. The purpose of salary surveys is to understand the current market salary situation and use the results of the survey to adjust salary levels and serve as the reference for adjustment forms or structures of the pay package, or as the salary evaluation reference for special talents or new positions to ensure that the Company maintains a competitive advantage in human resources.
2. Salary survey approaches of the Company: The Company utilizes external management consulting firms' salary survey reports on the biopharmaceutical industry, annual reports of publicly listed domestic biotech companies, and reference data on salary levels from government or domestic and international sources. When necessary, relevant salary consolidated data may be provided for reference.

(3) Pay structure and growth cycle

In the early stages of PharmaEngine, the compensation primarily consisted of a combination of lower base salary, benefits, and higher long-term incentive bonuses in the form of employee stock options. As the Company enters into a growth phase, the pay structure is adjusted accordingly to enhance overall company performance.

(4) Internal fairness of salary policy

The salary policy at PharmaEngine is based on the position levels, job attributes, or individual qualifications. The salary payment is primarily determined based on the relative contribution of the job or employee to the Company's values. The consistent benchmark is established through systematic collection and analysis of the job responsibilities and the basic qualifications possessed by employees within the organization, and is documented in "job descriptions", which serve as the primary reference for salary payment and pay structure.

II. Salary Standard

1. Salary Composition

(1) The remuneration of this Company primarily consists of base salary, variable pay, other allowances, and overtime pay:

1. Base salary
2. Variable pay
3. Other allowances
4. Overtime pay

(2) Compensation Distribution Principles

1. The President and CEO: undisclosed
2. Employees in level 13 and below: undisclosed
3. The year-end bonus is granted to employees who are still in service as of the year-end closing on December 31.
4. In addition to the fixed bonuses for the Dragon Boat Festival and Mid-Autumn Festival, the calculation basis for the aforementioned bonuses is the base salary plus meal allowances.
5. The salary of Vice President level and above and key executives in operational departments (such as Finance, Accounting, Research and Development, and

Audit), including base salary, variable pay (such as performance bonuses, ad-hoc bonuses, and project bonuses), other allowances, employee stock options, employee stock options at cash capital increase, employees' compensation, and treasury stock, shall be proposed by the President regarding the content and amounts or total number of shares and approved by the Chairperson. They are then submitted to the Remuneration Committee for review of reasonableness and subsequently presented to the Board of Directors for approval. Upon approval by the Board of Directors, the President shall issue the payment.

6. The salary of regular employees including base salary, variable pay (such as performance bonuses, ad-hoc bonuses, and project bonuses), other allowances, employee stock options, employee stock options at cash capital increase, employees' compensation, and treasury stock, shall be proposed by the President based on the Company's approved annual operational goals and achievement to distribute the total amount or total number of shares. After approval by the Chairperson, it is further submitted to the Board of Directors for final approval. Upon approval by the Board of Directors, the President shall issue the payment.
7. The calculation of the Company's overall performance bonus is proposed by the management team and approved by the Board of Directors and based on the achievement of the annual operational goals to decide the performance bonus amount for the year.
8. The distribution method of sales bonus is proposed by the manager of the marketing and sales department based on the achievement of individual sales targets. The method shall be reviewed for reasonableness by the President and approved by the Chairperson. It is then included in the annual budget and the President shall issue the payment in accordance with the distribution method.
9. Employees' remuneration is subject to Article 25 of the Company's Articles of Incorporation. If the Company gains profits within a fiscal year, 1% and 10% of the profits shall be set aside as the employees' compensation. However, in the case of accumulated losses, the Company shall reserve the amount for offsetting those losses in advance.

The gained profits within a fiscal year mentioned above shall mean the pre-tax income of the fiscal year less the distribution of employees' compensation and director remuneration.

The distribution process for employees' compensation shall be carried out in accordance with the provisions of Article 5 and Article 6 of the Remuneration Distribution Principles of this policy. The President is authorized to make one or multiple distributions after each annual shareholders' meeting. The distribution shall be made to employees who were employed during the year of calculation and are still employed in the month of distribution.

10. The distribution of the aforementioned bonuses and compensation is based on the period from January 1 to December 31 of the year and calculated proportionally according to the length of service during that year.
11. Other allowances are determined by the Company based on the hiring needs for talents (referring to specialized talents in the industry). The proposed content and relevant amounts shall be approved by the Chairperson, and then submitted to the Board of Directors for final approval. Upon approval, the President is authorized to execute the distribution of these allowances.

2. Welfare system

The Company has established the Employee Welfare Operation Guidelines to create a positive work environment, attract talent, and encourage long-term commitment from employees. Various welfare measures are implemented in accordance with the guidelines. For detailed information, please refer to the Employees' Compensation, Insurance, and Welfare Operation Guidelines stated in the Human Resources Management Policy.

III. Salary payment standards

The Company has currently established salary grades for each job level based on market standards, industry salary conditions, and the current situation of employees within the Company. Non-periodic industry salary surveys are conducted to make reasonable adjustments. The salary payment standards are primarily implemented based on the following principles:

1. Salary of newly hired employees:

Newly hired employees are compensated based on the salary grade corresponding to their job levels, and the following principles shall be followed:

- (1) Current position:

1. When determining the salary for newly hired employees, factors such as their knowledge, training, experience, job characteristics, and the current salary levels for similar positions of the company are taken into consideration.
 2. Whether to adopt a lower probationary salary for newly hired employees during the probation period shall be determined by department managers at their discretion.
 3. The total salary of newly hired employees shall not be lower than the minimum wage.
- (2) New position: The salary level should be determined after job classification and evaluation, and then conducted in accordance with the aforementioned procedure.
- (3) The salary determination for newly hired employees shall be proposed by department managers in accordance with the “Salary and Job Level Table” in this policy, which is reviewed in consultation with the Human Resources department and approved by the President. The salary determination of Vice Presidents level and above and key executives in operational departments (such as Finance, Accounting, Research and Development, and Audit) shall be proposed by the President in accordance with the “Salary and Job Level Table” in this policy and approved by the Chairperson. They are then submitted to the Remuneration Committee and the Board of Directors for approval.

2. Salary adjustment

(1) Annual salary adjustment:

1. Determination of average salary adjustment:

When conducting annual salary adjustments, it is necessary to take into account the following factors in advance:

- (1) Rate of inflation
- (2) Salary adjustment for military, public servants, and teachers
- (3) Industry adjustment
- (4) Company's operational status
- (5) Market salary levels for key positions of the Company

2. Determination of individual adjustment:

The individual salary adjustment is generally determined based on the increasing familiarity in the current job position or improvement in efficiency.

(2) Promotion salary adjustment

When determining salary adjustments for employee promotions, the following factors need to be considered:

1. Whether there is a material change of the job
2. Whether there is a significant increase in professionalism
3. Whether there is an increase in responsibilities
4. The existing salary level of similar positions of the Company
5. Industry standards

(3) Salary adjustment for transfer: When an employee is transferred or demoted due to job rotation, the salary will be reassessed based on the pay structure and level of the new position.

(4) The Company conducts salary adjustments annually in the first quarter based on the achievement of the previous year's business goals and individual performance evaluations. The annual salary adjustment list is submitted by the President to the Chairperson for approval. Upon approval by the Board of Directors, the President is authorized to distribute the adjustments. The salary adjustments of Vice Presidents level and above and key executives in operational departments (such as Finance, Accounting, Research and Development, and Audit) shall be proposed by the President and approved by the Chairperson. They are then submitted to the Remuneration Committee for review of reasonableness and subsequently presented to the Board of Directors for approval. Upon approval by the Board of Directors, the President shall issue the payment. The employees who receive a salary adjustment will be provided with a written "Salary Adjustment Notification" to confirm the adjustment. The process for salary adjustments due to promotion or job transfer follows the same procedure as the annual salary adjustment.

IV. Pay structure

1. Principles for salary and job level determination

The salary and job level determination of employees in the Company shall be based on their assigned positions, responsibilities, job functions, performance over the years, past experience and abilities. It will be determined in accordance with the Company's salary and job level table.

2. Salary and job level table

The Company's pay structure is divided into fourteen job levels. N/A

V. Policy, standard, and composition of remuneration for directors and functional committee members, as well as the procedures for determining remuneration**1. Remuneration payment for directors and functional committee members**

When directors and members of functional committees perform their duties for the Company, regardless of the Company's profitability, the Company may provide remuneration, which is authorized by the Board of Directors based on their level of participation in the Company's operations and the value of their contributions, taking industry standards into account. If the Company gains profits within a fiscal year, the Company shall also distribute remuneration to directors (excluding independent directors) in accordance with the provisions of Article 25 of the Company's Articles of Incorporation.

2. Standard and composition of remuneration for directors and functional committee members

The Company provides different remuneration for directors and functional committee members based on the nature of their duties. The details are as follows:

(1) Composition of director remuneration (excluding independent directors):

1. Director's meeting attendance fee: N/A
2. Director's transportation fee: N/A
3. Distribution of directors' remuneration from annual profit

If the Company gains profits within a fiscal year, no more than 2% of the profits shall be set aside as directors' remuneration. However, in the case of accumulated losses, the Company shall reserve the amount for offsetting those losses in advance.

The gained profits within a fiscal year mentioned above shall mean the pre-tax income of the fiscal year less the distribution of employees' compensation and director remuneration.

4. Chairperson's remuneration

The remuneration of the Chairperson is submitted by the Remuneration Committee for approval by the Board of Directors.

The remuneration of the Chairperson of the Company is based on director remuneration and is determined by considering the responsibilities of the Chairperson and referencing the remuneration practices in the industry. The remuneration is paid based on the proportion of the Chairperson's tenure during the current year (from the day of appointment in the current year to the day before the appointment next year). A car shall be leased for use as the Chairperson's official vehicle.

If the Chairperson concurrently holds other significant positions in the Company, such as CEO, President, or Senior Vice President, their remuneration shall be separately negotiated in accordance with the compensation arrangements for regular employees.

(2) Remuneration composition for independent directors

1. Attendance fee for independent directors at board meetings: N/A
2. Independent directors' transportation fee: N/A
3. Remuneration for independent directors

The remuneration for independent directors of the Company is determined by considering both their responsibilities as independent directors and their duties as functional committee members, while also taking industry standards into account.

(3) Remuneration for functional committee members

1. Attendance fee for attending functional committees (such as the Remuneration Committee, and Audit Committee): N/A

The Company's policy is to appropriately adjust the remuneration of the Chairperson, independent directors, or members of functional committees based on market research on salary levels, the achievement of the previous year's company objectives, and the individual responsibilities borne by the Chairperson, independent directors, or members of functional committees when the term of the Board of Directors expires or changes.

3. The determination process of remuneration for directors and members of functional committees

(1) Remuneration for directors and functional committee members

The remuneration of directors, independent directors, and members of functional committees shall be submitted by the Remuneration Committee to the Board of Directors for approval.

(2) Annual profit distribution

1. Director (excluding independent directors) remuneration is paid on an annual basis. If the tenure is less than one year, it shall be prorated based on the duration of service.
2. The distribution of annual profits for directors (excluding independent directors) is proposed by the Remuneration Committee based on each director's level of involvement in company operations and their contribution value. The proposal is then submitted to the Board of Directors for approval and the remuneration is distributed after the annual shareholders' meeting each year.