

Great Tree Pharmacy Co., Ltd.

Procedures for Acquisition and Disposal of Assets

Article 1: Purpose and legal reference

To strengthen asset management and to achieve the purpose of full information disclosure, the Company has adopted these Procedures in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act") and the SFB Directive No. 0910006105 on December 10, 2002 and the SFB Directive No. 0920001151 on March 21, 2003, and FSC Directive No. 0960001463 "Procedures for Acquisition and Disposal of Assets by Public Companies" on January 19, 2007 and relevant laws.

Article 2: Scope of asset and definition

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

Article 3: Definition of terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial

Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

- III. Related party or subsidiary: As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. Provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area."
- VII. Investment professionals: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- VIII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located
- IX. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the "Regulations Governing Securities Trading on the Taipei Exchange"; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 4: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already lapsed since

completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the industry codes of their respective trade associations of which they are members as well as the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data, parameters, and information used, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 5: Besides acquisition of assets for business use, the Company may also invest in acquisition of non-operating real property and marketable securities with the following transaction limits:

- I. Aggregate investment in marketable securities may not exceed 50% of the shareholders' equity as attested by the Company's certified public accountants (CPA).
- II. Investment in individual marketable securities cannot exceed 20% of the shareholders' equity as attested by the Company's CPA.

Article 6: Evaluation and procedures are as follows:

- I. Real property, equipment or right-of-use assets

In acquiring or disposing of equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price,

specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.

- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained (appraisers shall not be related parties to one another).
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may have elapsed between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

II. Marketable securities

If the Company acquires or disposes of marketable securities, the latest financial statements of the Target Company before the date of the fact shall be used as a reference for evaluating the transaction price. In addition, if the transaction amount reaches 20% of the Company's paid-in capital or more than NT\$300 million, the Company shall contact the accountant to express an opinion on the reasonableness of the transaction price before the date of the fact. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or if otherwise provided by regulations of the Financial Supervisory Commission (FSC).

III. Membership or intangible assets

Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

IV. Derivatives

Handled in accordance with related rules in Section 3 of the Procedures.

V. Acquisition or disposal of assets through merger, demerger, acquisition, or

transfer of shares in accordance with the law will be handled in accordance with related rules in Section 4 of the Procedures.

- VI. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- VII. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Paragraph 2, Article 31 herein, and "within the preceding year" as used herein refers to one year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 7: Price-deciding method and points of reference

- I. In acquisition or disposal of marketable securities traded in an active market or at investment securities, the price will be determined by the market price at the time or price of bond.
- II. In acquisition or disposal of marketable securities traded in an active market or at investment securities, the net worth per share, profitability, future development potential, market rate, coupon rate of the bond, and credibility of the bond, as well as transaction price of the securities market shall be taken into consideration.
- III. In acquisition or disposal of real property, the published present value, valuation worth, and actual transaction prices of neighboring real property should be taken into consideration as price negotiation factors.
- IV. In acquisition or disposal of other fixed asset, either price comparison, price negotiation, or bidding shall be adopted.
- V. In acquisition or disposal of membership, price comparison or negotiation shall be adopted.
- VI. Acquisition or disposal of intangible asset shall be processed in accordance with related laws and contractual agreements.
- VII. Acquisition or disposal of derivatives shall be processed in accordance with Section 3 of the Procedures.
- VIII. Acquisition or disposal of assets through mergers, demergers, acquisitions or transfer of shares in accordance with the law, shall be processed in accordance with Section 4 of the Procedures.

Article 8: Trading Terms and Authorization Limit

In acquisition or disposal of assets, the Company shall follow the below trading terms and authorization limit:

- I. Procedures and quotas for securities acquisition or disposal are as follows:
 1. If the accumulated amount of execution of the same investment target in the same fiscal year is NT\$100 million (or less), it shall be evaluated by the

executive unit, submitted to the Chair for approval, and then reported to the latest Board of Directors for confirmation.

2. If the accumulated amount of execution of the same investment target in the same fiscal year exceeds NT\$100 million (or more), it shall be evaluated by the executing unit and reported to the Board for approval.

II. For the acquisition or disposal of real property less than NT\$10 million, approval from the General Manager will be needed; between NT\$10 million to NT\$30 million, approval from the Chairman will be needed; and for amounts over NT\$30 million, approval from the Board of Directors will be required before the acquisition or the disposal can be made. However, capital expenditure budget approved by the Board of Directors is exempted from this limit.

III. Acquisition or disposal of other fixed asset less than NT\$10 million shall be approved by the General Manager; between NT\$10 million to NT\$30 million, approval from the Chairman will be needed; and for amounts over NT\$30 million, approval from the Board of Directors will be required before the acquisition or the disposal can be made. However, capital expenditure budget approved by the Board of Directors is exempted from this limit.

IV. Acquisition or disposal of membership or intangible asset will be handled after the implementation department submits relevant information for approval from the Board of Directors.

V. Acquisition or disposal of derivatives will be carried out in accordance with Section 3 of the Procedures.

VI. Acquisition or disposal of assets through mergers, demergers, acquisitions or transfer of shares in accordance with the law, shall be processed in accordance with Section 4 of the Procedures.

Pursuant to preceding regulation or other laws and bylaws, in acquisition or disposal of assets, the Company shall obtain approval from the Audit Committee and submit to the Board for resolution.

Article 9: Implementation unit

I. Real property and other fixed assets: usage department and related responsible unit(s).

II. Securities investment: financing unit.

III. Acquisition or disposal of membership and intangible assets: The General Manager will designate a responsible person or establish a project team to evaluate and implement the procedures.

IV. Acquisition or disposal of derivatives: The Finance Department will be responsible for valuation and implementation.

V. Asset acquisition or disposal through mergers, demergers, acquisitions or transfer of share and other material assets: The General Manager will designate a responsible person or establish a project team to evaluate and implement the procedures.

Article 10: When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Paragraph 7, Article 6 herein.

"Related party" in the preceding Paragraph refers to that which is required in the IAS 6 announced by the Accounting Research and Development Foundation (ARDF).

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 11: When the Company intends to acquire or dispose of real estate property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate property or its right-of-use assets from or to a related party and the transaction amount reaches 20% or more of the Company's paid-up capital, 10% or more of the Company's total assets, or NT\$300 million or above, except for trading of domestic government bonds or bonds under repurchase and resale agreements, as well as subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and approved by the Board of Directors:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Articles 12 and 13.
- IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may, pursuant to Article 8, delegate to the Chairman to

decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

- I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- II. Acquisition or disposal of real property right-of-use assets held for business use.

If the Company or a subsidiary which is not a domestic public company has made a transaction stipulated in Paragraph 1, and the transaction amount is more than 10 percent of the Company's total assets, the Company shall submit the materials listed in the Paragraph 1 to the Shareholders' Meeting for approval before signing a transaction contract and making payments. However, the regulation does not apply in the transactions between the Company and its parent company and subsidiaries, or the transactions among its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with Paragraph 2, Article 31 herein, and "within the preceding year" as used herein refers to one year preceding the date of occurrence of the current transaction. Items that have been approved by the Shareholders' Meeting and the Board of Directors need not be counted toward the transaction amount

Article 12: When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

- I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with Paragraphs 1 and 2 of the Article shall also engage a CPA to check the appraisal and render a specific opinion.

When acquiring real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Article 11, and the preceding three paragraphs do not apply:

- I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
- III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
- IV. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 13: When the results of the Company's appraisal conducted in accordance with Paragraphs 1 and 2 of Article 12 are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 14. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (I) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit, are valued in excess of the actual transaction price. "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (II) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- II. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a

distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to one year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 14: Where the Company acquires or disposes of real property or right-of-use assets thereof from or to a related party and the results of appraisals conducted in accordance with Articles 12 and 13 are uniformly lower than the transaction price, the following steps shall be taken:

- I. A special capital reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special capital reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
- II. Independent directors shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to Subparagraphs 1 and 2 shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the Annual Report and any investment prospectus.

When the Company has set aside a special capital reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 15: Transaction principle and policy

- I. Types of derivatives transactions that can be taken:
 - (I) The term "derivatives" is defined as follows: forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from an asset, interest rate, foreign exchange rate, index of prices or rates, or other interests or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.
 1. Transactive refers to derivative products held or occurred whose purpose is to make a profit from the difference of commodity transaction prices, including proprietary trading and other transaction

activities measured at fair value and recognized in current profit or loss.

2. Non-transactive purpose refers to transaction activities outside the aforementioned purposes.

(II) The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

(III) Margin trading should be processed in accordance with the Procedures.

II. Management or hedging strategies:

The hedging operation strategies of the Company shall first seek for off-setting and squaring off within the overall Company. Net positions shall be used in operations of derivatives transactions with the purpose of risk-hedging. In selecting trading commodities, the Company shall select those that can avoid risks arising from the Company's business operations. Moreover, in selecting counterparty, financial institutions that the Company has usual business dealings with should be selected to avoid credit risk.

III. Segregation of duties:

Finance Department:

(I) Obtain market information, determine trends and risks, familiarize with financial products and related laws and operating techniques, and undertake transactions based on the responsible manager's instructions and the delegated positions to hedge risks from market price fluctuations.

(II) Regularly calculate the positions, collect market information, undertake trend judgment and risk evaluation, propose trading strategies and reference for transactions after approval from the decision-making authority. Provide information on risk exposure positions.

(III) Measurement, supervision, and control of trading risk. Adjust operating strategies in line with market changes at all times. Responsible for foreign exchange management system such as collection of forex market information, determine trends and risks, and be familiar with financial products and operating techniques. And accept the instructions of the financial manager, authorize the management of foreign exchange positions, and avoid risks according to Company policies. Regularly evaluate unrealized profit or loss based on the balances of the derivative product positions held.

(IV) The Finance Department shall prepare monthly reports and submit to the Accounting Department as the basis of accounting valuation.

(V) Announcement and disclosure in line with regulations.

Accounting Department:

(I) responsible for confirmation of transaction, settlement, and recording of details.

- (II) Review whether the transaction was carried out in accordance with authorized limits and existing strategies.
- (III) Bookkeeping and compiling financial statements according to General Accepted Accounting Principles.

Auditing Department: Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives transactions by the trading department adheres to the "Procedures for Engaging in Derivatives Transactions," and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

IV. Key points in performance evaluation:

Where derivatives transactions are operated, the operating details shall be recorded on the log book on a daily basis to grasp the profit or loss; in addition, the exchange gains and losses shall be settled on a monthly, quarterly, semi-annual and annual basis.

V. Limits on aggregate losses or losses on individual contracts:

- (I) Aggregate contract limit for derivatives transactions (including transactive and non-transactive purpose) is US\$3.5 million or its equivalent in NTD. Limit on aggregate losses is set at US\$200,000 or its equivalent in NTD, while limit on individual contract losses is US\$100,000 or its equivalent in NTD.
- (II) The Finance Department shall fully grasp the overall positions to avoid transaction risks. Aggregate contracts on forward exchange operations shall not exceed the Company's actual total needs for foreign currencies in import and export.
- (III) For hedging transactions, calculation of the cost is conducted when the contract is set up and hence there is no concern with the limit on loss. However, when the current exchange rate is highly unfavorable, the Company shall call relevant personnel to meeting to discuss countermeasures at any time.

Article 16: Operating procedures

I. Authorized limit

- (I) Non-transactive purpose: the strategic decision is set at one-third as the amount to be hedged based on the Company's monthly need for each currency. Each transaction can only be proceeded with when approval from senior manager and the Chairman has been received.
- (II) Transactive purpose: Every transaction (major or otherwise) shall be proceeded with when approval from senior manager and the Chairman has been received. The transaction risk cannot exceed the profit or loss principle of US\$50,000 at any time, which is also set as a stop-loss target.

II. Implementation unit and transaction process

- (I) Implementation of transactions: The Finance Department's trading personnel shall assess risks and benefits before engaging in any derivatives transactions, and to conduct transactions within the authorized amount. If the amount of the prior authorization is exceeded, written approval is required in accordance with the preceding paragraphs. After the completion of each transaction, the transaction log shall be filled immediately according to the financial institution's transaction reporting procedures. Contents shall be indicated and approved by the competent authority. A count of the positions will be taken and a copy of the transaction log will be sent to the Accounting Department.
- (II) Confirmation of the transaction: The Accounting Department of the delivery and recordation procedures shall confirm the transaction according to the copy of the transaction log made by the trading unit. Subsequently, delivery will be undertaken and details will be recorded according to the number confirmed by the transaction. The Finance Department shall prepare a monthly summary report and submit it to the Accounting Department as a basis for evaluation.

Article 17: Risk management measures

I. Scope of risk management:

- (I) Credit risk management: trading counterparties should be limited to financial institutions with business transactions with the Company. After the transaction, recording personnel shall immediately record the transaction on the credit limit control sheets and regularly check the balances with the transacting bank.
- (II) Market price risk management: the recording personnel shall verify whether the total transaction amount complies with the set credit limit pursuant to the Procedures at all times. The Accounting Department shall undertake market price valuation at all times and monitor the possible gain/loss influences on the positions held from future market price fluctuations.
- (III) Liquidity and cash flow risk management: the transacting financial institution shall have adequate equipment, information and trading competency are needed in selecting financial products to ensure market liquidity. The trading personnel shall also monitor the Company's cash flow at all times to ensure that adequate cash payment can be made during delivery.
- (IV) Procedural risk management: the authorized credit limit and procedures and processes shall be strictly adhered to.
- (V) Legal risk management: any document to be signed with financial institutions need to be reviewed by legal personnel before it can be signed.

- II. Personnel engaged in derivatives transactions may not serve concurrently in other operations such as confirmation and settlement.

- III. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- IV. Derivatives transactions positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

Article 18: Where the Company engages in derivatives transactions, its Board of Directors shall faithfully supervise and manage such transactions in accordance with the following principles:

- I. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives transaction risk.
 - (I) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures and the "Procedures for Engaging in Derivatives Transactions" formulated by the Company.
 - (II) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has Independent Directors, an Independent Director shall be present at the meeting and express an opinion.
- II. Periodically evaluate whether derivatives transaction performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

A public company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives transaction in accordance with its "Procedures for Engaging in Derivatives Transactions."

Article 19: When engaging in derivatives transactions, the Company shall establish a log book in which details of the types and amounts of derivatives transactions engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 17, Subparagraphs 1(1) and 2 of Article 18 shall be recorded in detail in the log book.

Article 20: Internal audit system

- I. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.
- II. The audit report of the preceding paragraph and the annual audit of the internal audit processes should be uploaded in a prescribed format to the online

information reporting system before the end of February of the following year for the Securities & Futures Institute (SFI) to review. Improvement measures of the abnormalities shall be uploaded for the SFI to review by the end of May in the following year.

Article 21: Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law referred to in the Procedures refer to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Paragraph 6, Article 156 of the Company Act.

Article 22: When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 23: In participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Shareholders' Meeting and include it along with the expert opinion referred to in Paragraph 1 of the preceding Article when sending shareholders notification of the Shareholders' Meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a Shareholders' Meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the Shareholders' Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.

Article 24: In participating in a merger, demerger, or acquisition, the Company shall convene a Board of Directors meeting and Shareholders' Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

In participating in a transfer of shares, the Company shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another

company's shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference.

- I. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- II. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
- III. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 25: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 26: In participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- I. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- II. An action, such as a disposal of major assets, that affects the company's financial operations.
- III. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

- IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 27: The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- I. Handling of breach of contract.
- II. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- III. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner of handling changes in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date.
- VI. Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 28: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.

Article 29: Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and is required to abide by the provisions of Articles 24, 25 and 28.

Article 30: Control over the acquisition or disposal of assets by subsidiaries:

- I. Subsidiary of the Company shall establish and implement "Procedures for Acquisition and Disposal of Assets" pursuant to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies." The Procedures will

be enacted upon approval from the Board of Directors from the subsidiary and submitted to the Shareholders' Meetings of the Company and the subsidiary. Any amendment thereto shall also follow the same procedures.

- II. Acquisition or disposal of assets from the Company's subsidiary shall be carried out in accordance with its "Procedures for Acquisition and Disposal of Assets."
- III. The Company shall report the information for any subsidiary that is not a domestic public companies when acquisition or disposal of assets contains matters that shall be reported and announced pursuant to Article 31.
- IV. The matters that shall be reported and announced pursuant to Article 31 from the subsidiary in the preceding paragraph, the standard for 20% of the paid-in capital or 10% of total asset shall be measured based on the Company's paid-in capital or total asset.
- V. Subsidiary's internal audit personnel shall periodically make a determination of the suitability of internal controls on asset acquisition or disposal and conduct a monthly audit of how faithfully it adheres to the "Regulations Governing the Acquisition and Disposal of Assets" in implementation and prepare an written audit report. If any material violation is discovered, the Audit Committee and the Company shall be immediately notified in writing.
- VI. The Company's auditing personnel shall undertake auditing procedures to the subsidiary based on the audit plan. Findings and recommendations during the review shall be reported to the subsidiary for improvement, and the progress of such improvement shall be tracked.
- VII. The Company shall not forfeit capital increase for Ivy Biotech Co., Ltd. (hereinafter referred to as Ivy Biotech) over the years in the future, or in case the Company directly or indirectly disposes of its shareholding in Ivy Biotech to the point where the Company loses substantial control over Ivy Biotech, a special resolution from the Board of Directors shall be obtained in a Board meeting attended by all Independent Directors who have all expressed their opinions. The aforementioned resolution and subsequent amendment to the Procedures shall be inputted in the Material Information section of the MOPS for disclosure purpose, and submitted in writing to the Taipei Exchange for review.

Article 31: Under any of the following circumstances, when the Company acquires or disposes of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format and classification as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more. Provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives transactions reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
- V. Acquisition of real property by the Company by engaging others to build on its own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, in which the Company is expected to invest NT\$500 million or more in transaction amount.
- VI. Where an asset transaction other than any of those referred to in the five preceding subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more. Provided, this shall not apply to the following circumstances:
 - (I) Trading of domestic government bonds or foreign government bonds with the credit rating not lower than the sovereign credit rating of Taiwan.
 - (II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- III. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and cumulative disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and cumulative disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to one year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

Article 32: The Company shall compile monthly reports on the status of derivatives transactions engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by

the 10th day of each month.

Article 33: Public disclosure of information

Pursuant to preceding regulations, the Company shall undertake public disclosure, in which the content of such disclosure shall be processed in accordance with the FSC.

Article 34: When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

Article 35: Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 31, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

- I. Change, termination, or rescission of a contract signed in regard to the original transaction.
- II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- III. Change to the originally publicly announced and reported information.

Article 36: In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

Article 37: In case employees of the Company violates the Procedures in handling acquisition or disposal of assets, the Company's "Employee Code of Conduct and Incentive/Disincentive Measures" will be carried out accordingly.

Article 38: The Company's asset acquisition or disposal shall be carried out in accordance with the Procedures. Upon approval from the Audit Committee and a resolution from the Board of Directors, the Regulations will be submitted to the Shareholders' Meeting for adoption. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to Shareholders' Meeting for discussion. The same shall apply to any revision.

If the approval of the Audit Committee is not obtained as described in the preceding paragraph, the establishment or revision of the Procedures may be implemented if approved by more than two-thirds of all Directors and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.

Article 39: The Procedures were enacted on June 15, 2012; first amendment took place on May 30, 2014; second amendment took place on June 29, 2016; third amendment took place on June 23, 2017; fourth amendment took take place on June 26, 2019; and the fifth amendment will take place on June 17, 2020; and sixth amendment will take place on July 2, 2021 ; seventh amendment took place on May31,2022 ; eighth amendment took place on May 31,2023 .