

Great Tree Pharmacy Co., Ltd.

“Regulations Governing the Acquisition and Disposal of Assets”

Chapter 1 General Provisions

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. 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 in connection with the merger, split, acquisition or transfer of shares by 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.

If issuing valuation reports or opinions, the persons mentioned in the preceding paragraph shall handle the following matters under the self-discipline regulations of their respective trade associations:

- 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 to produce a conclusion and use the conclusion as the basis for issuing the report or opinion.
- III. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. 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 the acquisition of assets for business use, the Company may also invest in the acquisition of non-operating property and marketable securities with the following transaction limits:

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

Chapter 2 Procedures

Section 1 Acquisition or Disposal of Assets

Article 6 Evaluation and operational procedures are as follows:

- I. Property, equipment or right-of-use assets
In acquiring or disposing of equipment, or right-of-use assets thereof if the transaction amount reaches 20% 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) If it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price under particular circumstances, the transaction shall be submitted for approval in advance by the Board; if there is any subsequent change to the terms and conditions of the transaction, the same procedure shall also be applicable.
- (II) If the transaction amount is more than NT\$1 billion, two or more professional valuers shall be invited to estimate (different professional valuers or valuers shall not be related parties to each other).
- (III) If 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% or more of the transaction amount.
 - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% 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, if 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

If the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% 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 Procedure.

V. The acquisition or disposal of assets through merging, splitting, acquiring, or transferring shares by law will be handled as set out in Section 4 of the Procedure.

- VI. If 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 as set out in 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. Matters for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained may not be counted in 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 shall 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 property, the published present value, valuation worth, and actual transaction prices of neighboring property shall 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. The acquisition or disposal of intangible asset shall be handled in accordance with related laws and contractual agreements.
- VII. The acquisition or disposal of derivatives shall be handled as set out in Section 3 of the Procedure.
- VIII. The acquisition or disposal of assets through mergers, splits, acquisitions or transfer of shares by law, shall be handled as set out in Section 4 of the Procedure.

Article 8 Trading Terms and Authorization Limit

The acquisition or disposal of the Company’s assets shall be handled in accordance with the following quotas and procedures:

- 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, it shall be evaluated by the executing unit and reported to the Board for approval.
- II. For the acquisition or disposal of property less than NT\$10 million, approval from the General Manager shall be needed; between NT\$10 million to NT\$30 million, approval from the Chair shall be needed; and for amounts over NT\$30 million, approval from the Board shall be required before the acquisition or the disposal can be made. However, capital expenditure budget approved by the Board is exempted from this limit.
- III. The 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 Chair shall be needed; and for amounts over NT\$30 million, approval from the Board shall be required before the acquisition or the disposal can be made. However, capital expenditure budget approved by the Board is exempted from this limit.

- IV. The acquisition or disposal of membership or intangible asset shall be handled after the implementation department submits relevant information for approval from the Board.
- V. The acquisition or disposal of derivatives shall be carried out as set out in Section 3 of the Procedure.
- VI. The acquisition or disposal of assets through merger, demerger, acquisition, or transfer of shares by law will be handled as set out in Section 4 of the Procedure.

According to the preceding paragraph or other laws and bylaws, the Company shall apply for an approval from the Audit Committee for the acquisition or disposal of assets and submit it to the Board for resolution.

Article 9 Implementation unit

- I. Real estate and other fixed assets: Users, related authorities and responsible units.
- II. Securities investment: Financial unit.
- III. Membership certificate and acquisition or disposal of intangible assets: the general manager instructs the person in charge or establishes a project team to evaluate and execute.
- IV. The acquisition or disposal of derivative goods: Assessment and execution are the responsibility of the Finance Department.
- V. The acquisition or disposal of assets and other significant assets by legal merger, division, acquisition or share transfer: The general manager directs the person in charge or establishes a project team to evaluate and execute.

Section 2 Related-Party Transactions

Article 10 If 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 completed as set out in Paragraph 7 of Article 6.

"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).

If a transaction counterparty is judged as a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 11 If the Company intends to acquire or dispose of real estate property or its right-of-use assets from or to a related party, or 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:

- 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. Concerning the acquisition of property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms shall be appraised as set out in Articles 12, 13.
- IV. The date and price at which the related party originally acquired the property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- V. Monthly cash flow forecasts in commencing from the anticipated month of the signing of the contract, evaluation of the necessity of the transaction, and the reasonableness of the fund 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.

Concerning the types of transactions listed below, if to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board of Directors may, as set out in Article 8, delegate to the Chair to decide such matters if the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

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

If the Company or any of its subsidiaries which is not a domestic public company has made a transaction stipulated in Paragraph 1, and the transaction amount is more than 10% of the Company's total assets, the Company shall submit the materials listed in Paragraph 1 to the shareholders' meeting for approval before signing a transaction contract and making payments. However, the regulation does not apply to 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 completed as set out in 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. Matters approved by the shareholders' meeting and the Board may not be included in the transaction amount.

Article 12 If acquiring 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 that 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 if 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% 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 if the financial institution is a related party of one of the transaction counterparties.

If 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.

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

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

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

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

- I. If the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (I) If 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, if 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. If the Company acquiring property, or obtaining 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 property or obtainment of the right-of-use assets thereof.

Article 14 If the Company acquires or disposes of property or right-of-use assets thereof from or to a related party and the results of appraisals conducted as set out in 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 as set out in Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares. If the Company uses the equity method to account for its investment in another company, then the special capital reserve called for as set out in 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. Matters taken as set out in Subparagraphs 1, 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.

If 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.

If the Company obtains 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.

Section 3 Engagement of derivatives transactions

Article 15 Transaction principle and policy

- I. Types of transactions of derivatives:
 - (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) Bond margin transactions shall be handled under the Procedure.

II. Management or hedging strategies:

The Company’s hedging operation strategies shall first seek for off-setting and squaring off within the overall Company. Net positions shall be used in the transaction of derivatives 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 shall 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) To be responsible for details of transaction confirmation, settlement and registration;

(II) To review whether the transaction is conducted by the approved authority and according to the established strategy; and

(III) To keep accounts and prepare financial statements under the generally 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 the transaction of derivatives 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:

If 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) Total Contract Amount

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.

(II) Regulations on Loss Limit

The realized and unrealized loss amounts generated from individual hedging contracts shall not exceed 20% of the contract amount, and the total realized and unrealized loss amounts of all hedging contracts shall not exceed 5% of the Company’s most recent financial statement net worth.

Article 16 Operating procedures

I. Authorized limit

- (I) Non-transaction purposes: According to the Company’s monthly capital requirements in each currency, the policy decision shall be one-third of the avoided amount, and each transaction shall be subject to the approval of senior executives and the Chair of the Board.
- (II) Any transaction shall be approved by the senior management and the Chair of the Board, regardless of the amount. 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) Execution of Transactions: Traders in the Finance Department shall evaluate the risks and benefits of any transaction of derivatives before engaging in any transaction of derivatives and conduct the transaction within the authorized amount. If the amount exceeds the authorized amount in the preceding paragraph, they shall obtain prior written approval in accordance with the above terms. 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 shall be taken and a copy of the transaction log shall be sent to the Accounting Department.
- (II) Transaction Confirmation: The accounting department of the settlement and registration shall carry out transaction confirmation according to the copy of the transaction sheet made by the transaction unit, and then carry out the settlement and registration according to the number of transaction confirmation, and the financial department shall prepare a consolidated report every month and send it to the accounting department as the basis for accounting evaluation.

Article 17 Risk management measures

- I. Scope of risk management:
 - (I) Credit risk management: The targets of transactions are limited to banks that do business 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: Registrants shall check at any time that the total transaction amount meets the limits set out in this procedure. 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) To ensure market liquidity, financial institutions when choosing financial products for investment shall have sufficient equipment, information and trading capabilities, and traders shall always pay attention to the Chair of the Board cash flow to ensure sufficient cash payments at the time of delivery.
 - (IV) Operational risk management: It shall ensure compliance with authorization limits and work processes.
 - (V) Legal risk management: Any document signed with the bank shall, before being signed, be reviewed by legal affairs related personnel.
- 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 department different from that of the personnel in the preceding subparagraph and shall report to the Board or senior management personnel with no responsibility for trading or position decision-making.
- IV. Positions held in the transaction of derivatives shall be appraised at least once per week. However, those held in hedge trades shall be appraised at least twice a month. The corresponding appraisal reports shall be submitted to senior management personnel authorized by the Board.

Article 18 If the Company engages in the transaction of derivatives, 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 the risks for the transaction of derivatives.
 - (I) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted under the Procedure and the “Procedures for Engaging in Derivatives Transactions” formulated by the Company.
 - (II) If irregularities are found during supervising transactions and profit-loss, appropriate measures shall be taken with a report immediately submitted to the Board; if the Company has independent Directors, an Independent Director shall be present at the meeting and express an opinion.
- II. Periodically evaluate whether the transaction performance of derivatives 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 after it authorizes the relevant personnel to handle the transaction of derivatives in accordance with its “Procedures for Engaging in Derivatives Transactions.”

Article 19 If engaging in the transaction of derivatives, the Company shall establish a log book, in which details of the transaction types and amounts of derivatives involved, the approval date of the Board, and all matters required to be carefully evaluated under Subparagraph 4 of Article 17, Subparagraphs 1(1) , 2 of Article 18 are given in detail.

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 shall 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.

Section 4 Merger, Demergers and Acquisition and Transfer of Shares

Article 21 Assets acquired or disposed through mergers, splits, acquisitions, or transfer of shares by law referred to in the Procedure refer to assets acquired or disposed through the merger, split or acquisition conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the 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 (the "transfer of shares") as set out in Paragraph 6 of Article 156 of the Company Act.

Article 22 If the Company conducts a merger, split, acquisition or transfer of shares, before convening the Board to resolve 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 for deliberation and passage. However, the requirement of obtaining any item of the aforesaid opinion on reasonableness issued by an expert shall be exempted in the case of a merger by the Company or any of its subsidiaries in which the Company directly or indirectly holds 100% 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% of the respective subsidiaries' issued shares or authorized capital.

Article 23 While participating in a merger, split, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, split or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Paragraph 1 of the preceding Article if sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, split, or acquisition. If the Company is exempted from convening a shareholders' meeting to approve the merger, split, or acquisition under any other act, this restriction shall not apply.

If the shareholders' meeting of the Company or of any one of the companies participating in the merger, split or acquisition fails to convene or pass a resolution due to a shortage of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, split or acquisition shall publicly explain the reason, the follow-up measures, and the date of the next shareholders' meeting as soon as possible.

Article 24 While participating in a merger, split, 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, split, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

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

If participating in a merger, split, 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 fully-written record of the following information and retain it for 5 years for reference.

- I. Personnel Profile: Including all persons involved in any merger, division, acquisition or share transfer program or any program before such disclosure, as well as their titles, names and ID numbers (or passport numbers if any foreigner).
- II. Important dates include the dates of signature of a letter of intent or memorandum, of entrustment of financial or legal counsel, of the signing of a contract and of holding a board meeting.
- III. Important documents and minutes: including mergers, divisions, acquisitions or share transfer plans, letters of intent or memoranda, important deeds and the Board's meeting minutes.

Companies involved in mergers, divisions, acquisitions, or share transfers that are listed or traded in securities dealers' business premises shall, within two days from the date of adoption of the resolution by the Board, submit the information in the first and second paragraphs of the preceding paragraph to the Financial Supervision and Administration Commission of the Executive Yuan in the prescribed format.

If any of the companies participating in a merger, split, 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 so listed or traded shall sign an agreement with such company if by the latter is required to abide by the provisions of the preceding two paragraphs.

Article 25 Persons participating in or privy to the plan for merger, split, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to such 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, split, acquisition, or transfer of shares.

Article 26 While participating in a merger, split, 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, split, acquisition, or transfer of shares:

- I. Cash capital increase, issuance of convertible 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. Such actions 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 if any of the companies participating in the merger, split, acquisition or transfer of shares from another company while buying back stocks.
- V. An increase or decrease in the number of entities or companies participating in the merger, split, 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 the Company participating in the merger, split, acquisition or transfer of shares shall describe the rights and obligations of companies participating in the merger, split, acquisition or transfer of shares, in addition to the following matters:

- 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 any change 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 the public disclosure of such information, if any company participating in the merger, split, acquisition, or share transfer intends further to carry out a merger, split, acquisition or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had been completed toward the merger, split, acquisition, or share transfer; except that if the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the Board 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 If any of the companies participating in a merger, split, 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.

Section 5 Control Procedures for Acquisition or Disposal of Assets by Subsidiaries

Article 30 Control Procedures for Acquisition or Disposal of Assets by Subsidiaries

- I. The Company's subsidiaries shall, in accordance with the provisions of the Guidelines for the Disposal of Assets Acquired or Disposed of by Public Issuing Companies and the Regulations Governing the Acquisition and Disposal of Assets as stipulated therein, after being approved by the subsidiaries' Board of Directors, report to the subsidiary and to the Board of Shareholders of the Company, as amended.
- II. The acquisition or disposal of assets from the Company's subsidiary shall be

carried out in accordance with its “Regulations Governing the Acquisition and Disposal of Assets.”

- III. The Company shall report the information for any subsidiary that is not a domestic public company if 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 if the Company loses substantial control over Ivy Biotech, a special resolution from the Board 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 Procedure shall be inputted in the Material Information section of the MOPS for disclosure purpose, and submitted in writing to the Taipei Exchange for review.

Chapter 3 Public disclosure of information

Article 31 Under any of the following circumstances, if 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. The acquisition or disposal of property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than property or right-of-use assets thereof from or to a related party if the transaction amount reaches 20% or more of paid-in capital, 10% 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, split, acquisition, or transfer of shares.
- III. Being engaged in the transaction of derivatives with any loss reaching the limits on the aggregate or an individual loss set out in the procedures adopted by the Company.
- IV. If 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. The Company’s acquisition of property by entrusting any other party to build on its own land or any land leased, or by jointly constructing and allocating housing units,

joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterparty is not a related party, in which the Company is expected to invest NT\$500 million or more in the transaction amount.

- VI. If 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% 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 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.

The term "within the preceding year", as set out in the preceding paragraph, refers to one year preceding the date of occurrence of the current transaction. Matters duly announced under the Procedure may not be counted in the transaction amount.

Article 32 The Company shall prepare monthly reports on the status of the transaction of derivatives engaged in up to the end of the preceding month by the Company and any of its 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

According to the preceding paragraph, the Company shall undertake public disclosure, of which the content shall be dealt with under the FSC.

Article 34 If 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 matters 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 If any of the following circumstances occurs in any transaction that the Company has already publicly announced and reported as set out in Article 31, a public report shall be prepared and disclosed at the website designated by the FSC within 2 days 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 After acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and CPA, attorney, and securities underwriter opinions at the Company, and shall retain them for 5 years, except as otherwise provided by law.

Chapter 4 Supplementary Provisions

Article 37 If any of the Company's employees violates the Procedure in handling the acquisition or disposal of assets, he shall be investigated under the Company's "Employee Code of Conduct and Incentive/Disincentive Measures".

Article 38 The Company's acquisition or disposal of assets shall be conducted under the Procedure. Upon an approval of the Audit Committee and a resolution from the Board, the Regulations shall 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.

With the approval of the Audit Committee not obtained as set out in the preceding paragraph, the establishment or revision of the Procedure may be completed, provided that more than two-thirds of all Directors agree upon, and accordingly, the Audit Committee's resolution shall be put in the Board's meeting minutes.

Article 39 This procedure is formulated on June 15, 2012,
The first amended on May 30, 2014, the second amended on June 29, 2016, the third amended on June 23, 2017, the fourth amended on June 26, 2019, the fifth amended on June 17, 2020, the sixth amended on July 2, 2021, the seventh amended on May 31, 2022, the eighth amended on May 31, 2023,the ninth amendment was made on May 31, 2024.