

PharmaEssentia Corporation

Rules of Procedure for Board of Directors' Meetings

Article 1: Legal basis

This regulation is established in accordance with Article 26 of the Securities and Exchange Act and Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 2: Scope of regulation

The Company shall adopt rules of procedure for meetings of its board of directors; the main agenda items, operational procedures, content required in the meeting minutes, public announcements, and other compliance requirements for board meetings shall be handled in accordance with these Regulations.

Article 3: Convening of and notifications regarding board of directors' meetings

The board of directors shall convene a meeting at least quarterly, and each director and supervisor shall be notified of the reasons for one being called at least 7 days in advance. In emergency circumstances, however, a meeting may be called at shorter notice.

The Company's directors and supervisors can be notified of the Company's board of directors meeting by written notice, e-mail, or fax.

All matters set out in Paragraph 1 of Article 7 shall be specified in the notice of the reasons for calling a board of directors' meeting; none may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.

Article 4: Principles of venue and time for board of directors' meetings

A board of directors' meeting shall be held at the Company's location and during its business hours, or at a place and time convenient to all directors and suitable for holding such a meeting.

Article 5: Meeting notice and materials

The agenda working group for the Company's board of directors' meetings is the executive secretary of the board, who shall prepare agenda items for the meetings and provide comprehensive premeeting materials to be sent together with the meeting notice.

A director who considers the premeeting materials insufficient may ask the

agenda working group to supplement the materials. If a director considers the materials concerning any proposal to be insufficient in content, the deliberation of such a proposal may be postponed by a resolution of the board of directors.

Article 6: Agenda items

Agenda items for regular board of directors' meetings shall include at least the following:

1. Reports:

- (1) Minutes of and actions arising from the last meeting.
- (2) Reporting on critical financial and business matters.
- (3) Reporting on internal audit activities.
- (4) Other important matters to be reported.

2. Discussions

- (1) Items discussed in and continued from the last meeting.
- (2) Items for discussion at the present meeting.

3. Extraordinary motions

Article 7: Matters to be discussed by the board of directors

The Company shall submit the following items for discussions by the board of directors:

1. Corporate business plan.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports, which under relevant laws and regulations need not be audited and attested by a certified public accountant (CPA).
3. Notice of the adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and an assessment of the effectiveness of the internal control system.
4. Notice of the adoption or amendment—pursuant to Article 36-1 of the Securities and Exchange Act—of handling procedures for financial or operational actions of material significance, such as the acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
5. Notice of the offering, issuance, or private placement of any equity-type securities.
6. Notice of the appointment or discharge of a financial, accounting, or internal audit officer.

7. Notice of a donation to a related party or a major donation to a nonrelated party. A public-interest donation for disaster relief of a major natural disaster may be submitted to the following board of directors' meeting for retroactive recognition.
8. Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by a resolution at a shareholder meeting or board of directors' meeting, or any such significant matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph refers to a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a nonrelated party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1% of the net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year. For foreign companies whose stock has no par value or a par value other than NT\$10, the "5% of paid-in capital" in Paragraph 2 above shall be calculated instead as 2.5% of shareholder equity.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors' meeting is convened.

All matters set out in the preceding subparagraphs shall be specified in the notice of reasons for calling a board of directors' meeting; none may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.

If a company has an independent director or directors, at least one independent director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under Paragraph 1 of Article 14-3 of the Securities and Exchange Act, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as a proxy. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes. An independent director intending to express an objection or reservation but unable

to attend the meeting in person shall—unless some legitimate reason exists to do otherwise—issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article 8: Authorization principles of the board of directors' meetings

Apart from matters referred to in Paragraph 1 of the preceding article, which are required to be submitted for discussion by the board of directors, when the board of directors delegates any exercise of its powers pursuant to laws or regulations or the Company's articles of incorporation during the adjourned board meeting, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 9: Preparation of documents such as the attendance book and appointment of other directors as proxies to attend board meetings

When a meeting of the board of directors is held, an attendance book shall be prepared to be signed by directors attending the meeting and thereafter made available for future reference.

All board directors shall attend board meetings in person; if attendance in person is not possible, they may, pursuant to the company's articles of incorporation, appoint another director to attend as a proxy. Attendance via tele- or video-conferencing is deemed attendance in person.

A director appointing another director to attend a board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting.

A proxy under Paragraph 2 may accept a proxy from one person only.

Article 10: Chairperson and proxy of board meetings

Meetings of the board of directors shall be called and chaired by the chairperson of the board. However, the first meeting of each newly elected board of directors shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholder meeting in which the directors were elected; if two or more directors are entitled to call a meeting, they shall choose one person by and from among themselves to do so.

When the chairperson of the board is on leave or for any reason and thus unable to exercise his or her powers, the vice chairperson shall do so in place of the chairperson; if there is no vice chairperson or he or she is also on leave or for any reason unable to act, then a managing director designated by the

chairperson shall do so; if there is no managing director, then a designated director; or, if the chairperson has not made such a designation, then a managing director or director elected by and from among the directors shall do so.

Article 11: Attendance of board meetings

When holding a meeting of the board of directors, a company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the Company may also invite certified public accounts, attorneys, or other professionals to attend.

Article 12: Convening the board meeting

When half of all board directors are not present at the time of the meeting, the meeting chair may announce that the meeting time is postponed—only two postponements can be made. The total time of postponement must not exceed 1 hour. If the quorum is still not met after two such delays, the chair shall re-call the meeting following the procedures provided in Paragraph 2 of Article 3.

The term “all board directors” used in the preceding paragraph and in subparagraph 2, Paragraph 2 of Article 17, shall be calculated as the number of directors then in office.

Article 13: Agenda discussion

A board of directors’ meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

Regarding the agenda items and extraordinary motion schedules in the preceding paragraph, the meeting chair may not declare the meeting closed without the approval of a majority of directors present at the meeting.

If at any time during a board of directors’ meeting less than half of the minimum number of directors required to be present at the meeting are in attendance, then upon motion by those attending the meeting, the chair shall declare the meeting suspended, in which case the preceding article shall apply *mutatis mutandis*.

Article 14: Methods of voting, vote monitoring, and vote counting

When the chair at a board of directors’ meeting is of the opinion that a

matter has been sufficiently discussed to put it to a vote, the chair may announce the discussion closed and do so.

When a proposal is put to a vote at a board of directors' meeting, if the chair puts the matter before all directors present at the meeting and none voice an objection, the matter is deemed approved and its effect is the same as being passed by voting.

Except for in the case of unanimous consent among the directors present at the board of directors' meeting upon inquiry by the chair, voting on matters during meetings shall be conducted through a show of hands, after which the voters' names shall be registered. The chairperson of the board may adopt the secret ballot approach if necessary, with its vote monitoring and counting being conducted by a director designated by the chairperson.

Article 15: Resolution of the board of directors' meeting

Except as otherwise stated in the Regulations Governing the Procedure for the Board of Directors' Meetings of Public Companies or in the Company Act, a resolution on a matter at a board of directors' meeting requires the approval of a majority of directors present at the meeting, which should be attended by a majority of all directors.

Article 16: System for avoiding conflict of interests of directors

If any director or a juristic person represented by a director has an interest in any agenda item, and if that relationship is likely to prejudice the interests of the Company, then the director cannot participate in discussion or voting on that agenda item; furthermore, he or she may not act as another director's proxy to exercise voting rights on the matter.

The resolution of the board of directors does not include the seat of a board director when he or she is prohibited by the preceding paragraph from exercising his or her voting rights.

Article 17: Meeting minutes and signed matters

Minutes of the discussions at board of directors' meetings shall be prepared, and they shall record the following:

1. Session (or year), time, and place of meeting.
2. Name of the meeting chair.
3. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.
4. Names and titles of those attending the meeting as nonvoting participants.

5. Name of the minute-taker.
6. Matters reported on.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or others; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Paragraph 2 of Article 7.
8. Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or others; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
9. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes and, within 2 days of the meeting, published on an information reporting website designated by the competent authority:

1. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
2. If the company has an audit committee, any matter that has not been passed by the audit committee but has been adopted with the approval of two-thirds or more of all board directors without being passed by the audit committee.

The attendance book forms a part of the minutes for each board of directors' meeting and shall be preserved permanently.

The minutes of a board of directors' meeting shall bear the signature or seal of both the meeting chair and minute-taker; a copy of the minutes shall be distributed to each director and supervisor within 20 days of the meeting and preserved as an important company record as long as the company exists.

The production and distribution of the meeting minutes referred to in Paragraph 1 may be done in electronic form.

Article 18: Audio or video recording of board of directors' meetings

A company shall audio or video record the entire proceedings of a board of directors' meeting, and preserve the recordings for at least 5 years in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a board of directors' meeting, the relevant audio or video recordings shall continue to be preserved and the preceding paragraph shall not apply.

Where a board of directors' meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting shall form a part of the meeting minutes and be preserved permanently.

Article 19: Supplementary provisions

If one or more managing director sits on the board of directors, the provisions of Articles 2–6, 9, and 11–18 shall apply *mutatis mutandis* to the procedure for meetings of the managing directors.

The formulation and amendment of the provisions of this procedure shall be approved by the Company's board of directors and reported to the shareholders meeting.