

**ARTICLES OF INCORPORATION**

**OF**

**LOTUS PHARMACEUTICAL CO., LTD.**

**[English translation for reference only]**

## **Section I - General Provisions**

### **Article 1**

The Company shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 美時化學製藥股份有限公司 in the Chinese language, and Lotus Pharmaceutical Co., Ltd. in the English language.

### **Article 2**

The scope of business of the Company shall be as follows:

1. C802041 Drugs and Medicines Manufacturing
2. F208021 Retail Sale of Drugs and Medicines
3. F208031 Retail sale of Medical Equipment
4. F401010 International Trade
5. C802110 Cosmetics Ingredients Manufacturing
6. F102170 Wholesale of Food and Grocery
7. F108040 Wholesale of Cosmetics
8. F203010 Retail sale of Food and Grocery
9. I199990 Other Consultancy
10. IG01010 Biotechnology Services
11. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

### **Article 3**

The Company shall have its head office in Taipei, Taiwan, Republic of China, and shall be free, upon approval of government authorities in charge, to set up and dissolve factories, representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Board of Directors deem it necessary or advisable to carry out any or all of its activities.

### **Article 4**

The total amount of the Company's reinvestment shall not be subject to the restriction of not more than forty percent of the Company paid-up capital. Any matters regarding the reinvestment must be approved and handled in accordance with the rules approved by the Board of Directors and the applicable laws and regulations.

### **Article 5**

The Company may provide endorsement and guarantee and act as a guarantor to the matters related to the business of the Company.

## **Section II - Capital Stock**

### **Article 6**

The total capital of the Company is TWD 3 billion, divided into 300 million shares for a value of TWD 10 per share, to be issued in several tranches by the Board of Directors as authorized.

Among the total capital in the first paragraph, an amount of TWD 100 million shall be reserved, to be divided into 10,000,000 shares for a value of TWD 10 per share, to be issued as employee stock options in several tranches by the Board of Directors as authorized according to the Company Act and the applicable laws of the Republic of China.

### **Article 7**

The share certificates of the Company shall be name-bearing share certificates signed by or affixed with seals of three (3) Directors minimum, and authenticated by the competent authorities of the government or the certification organization. The Company may issue shares without printing share certificates and the shares shall be registered with a domestic securities depository enterprise.

### **Article 8**

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

### **Article 8-1**

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Company shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations of the Republic of China.

## **Section III - Shareholders Meetings**

### **Article 9**

Shareholders' meetings of the Company are of two types, namely: (1) regular

meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened whenever necessary in accordance with the relevant laws, rules and regulations of the Republic of China.

**Article 9-1**

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Company for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices and publicly announced. Upon agreed, the notices shall be sent by electronic means. The notices may be done via public announcement to the shareholders who have less than one thousand shares.

**Article 10**

If a shareholder is unable to attend a meeting, he/she may appoint a representative, with a Shareholder Proxy Form issued by the Company, to attend it, and to exercise, on his/her behalf, the rights specified in the Proxy Form at the meeting.

**Article 11**

Each share of stock shall be entitled to one vote, except shares under restrictions or shares held under Article 2 of 179 of the Company Law of the Republic of China.

**Article 12**

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

**Article 12-1**

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting and distributed to shareholders within twenty (20) days after the meeting. The meeting minutes may be distributed by electronic means or publicly announced. Such minutes with record of the taken month/date/year, place, chairman's name, minutes and resolutions, together with the attendance list and proxies, shall be filed and kept at the Company. The attending book of shareholders and the representative

authorization forms shall be kept at least one year, or longer till the end of legal proceedings if shareholder file a lawsuit in accordance of Article 189 of the Company Law of the Republic of China.

#### **Article 12-2**

The Company shall only delist publicly-offered shares with resolution of Shareholders' meeting, and shall not amend this article when shares are listed on Emerging Market or on Taiwan Stock Exchange (GreTai Securities Market).

### **Section IV- Directors**

#### **Article 13**

The Company shall have five (5) to nine (9) Directors with a term of three (3) years, to be elected from among the persons of legal capacity at the general meeting and eligible for reelection.

#### **Article 13-1**

Among the above Directors, there shall be at least three (3) Independent Directors and no less than one-fifth (1/5) of the Directors shall be Independent Directors.

The candidate nomination system shall apply to the election of Independent Directors, to be elected from among the candidates for Independent Directors at the general meeting. Independent Directors and non-independent Directors shall be elected at the same time with their votes separately counted. Professional qualifications, restrictions on shareholding and concurrent jobs, determination of independence, nomination and election methods, exercise of powers and authority, and other compliances with regard to Independent Directors shall be governed by the applicable regulations established by the regulatory securities authorities of the Republic of China.

#### **Article 13-2**

For election of Directors other than Independent Directors, the open-ballot, cumulative voting method shall apply where each share is entitled to a number of votes identical to the number of Directors to be elected. All votes may be cast for a single candidate or multiple candidates. The candidates receiving the ballots representing the most voting rights will be elected as Directors. Where amendments to the voting system are necessary, the provisions of the Company Act, such as those under Article 172, shall be followed and the major details shall be listed and

explained under the purpose of the meeting in the notice.

**Article 14**

The Directors shall elect from among themselves a Chairman of the Board of Directors, and require a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Company.

**Article 14-1**

The meeting of the Board of Directors shall be held at least once every quarter upon written notice mailed/faxed/e-mailed to all the other Directors, at least seven days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda.

**Article 14-2**

A meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting, unless otherwise provided in the Company Law of the Republic of China.

A Director may, by written authorization, appoint another Director to attend on his/her behalf any meeting of the Board of Directors, and to vote for him/her on the matters specified in the written authorization at such meeting when he/she is unable to attend the meeting, but no Director may act as proxy for more than one other Director.

**Article 15**

In the case where the Chairman of the Board is absent or otherwise unable to perform his/her duties, matters conducted on behalf of the Chairman shall be handled in accordance with Article 208 of the Company Law of the Republic of China.

**Article 16**

The Board of Directors shall be generally authorized to review and determine the remunerations for the Directors based on the involvement and contribution to the operation of the Company, regardless profits or losses of the Company, in consistent with the prevailing standards in the same industry.

**Article 16-1**

During the term of the Directors and key employees and to the extent of their performance of work, the Company may procure the liability insurance for them for damage claims filed by parties in interest.

**Article 16-2**

In consideration of strengthening supervision and management over the Company, Board of Directors may form Audit, Nomination, Risk Management or any other functional committees, taking into account the scale of Board of Directors and the number of Independent Directors. An Environmental Protection or related committee may also be included based on the consideration of corporate social responsibility and sustainable operation.

**Article 16-3**

The Company shall establish Audit Committee pursuant to Article 14-4 of Securities and Exchange Act which shall be composed by all Independent Directors.

**Article 16-4**

The composition, duty and authority, rules governing the proceedings of meetings and other rules governing the Audit Committee shall follow the applicable laws and regulations of the Republic of China and the bylaws of the Company.

**Article 16-5**

The Audit Committee or its members shall perform the duty of supervisor under the Company Law, the Securities and Exchange Act, other applicable laws and regulations of the Republic of China, and the bylaws of the Company.

**Section V - Management****Article 17**

The Company may appoint one General Manager, and one President for registered branch, and such officers designation, discharge and remuneration shall be in accordance with Article 29 of the Company Law of the Republic of China.

**Section VI - Accounting****Article 18**

After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular meeting of shareholders for recognition, after being submitted to Audit Committee for review:

1. Business report,
2. Financial statements,

### 3. Proposal for distribution of profits or compensation for losses

#### **Article 19**

The Company shall, if any profits earned by the Company for a fiscal year, pay no less than 1% of the profits earned by the company as employees' additional compensation and pay no more than 10% as directors' remuneration on condition that the Company shall first use the profits to offset any accumulated losses.

The aforesaid "profits earned by the Company" refers to pre-tax profits before deducting the said employees' additional compensation and directors' remuneration.

The Company may pay such employees' additional compensation in the form of cash or stock. The distribution method, amount and stock numbers shall be approved by a majority vote at a meeting of board of directors attended by at least two-thirds of the total number of directors and then reported to the shareholders' meeting.

The Company shall pay such directors' remuneration in cash. The distribution ratio shall be recommended by Remuneration Committee to the board of directors. The board of directors is authorized to determine the distribution ratio not exceeding the above upper limit. The distribution ratio will be approved by a majority vote at a meeting of board of directors attended by at least two-third of the total number of directors and then reported to the shareholders' meeting.

Employees who are entitled to employees' additional compensation are those officially hired by the Company with labor insurance and benefits and the employees of subsidiaries under certain conditions. Temporary employees and probationary employees are not included.

#### **Article 19-1**

The Company shall, after covering all losses incurred in the past years and paying all taxes and dues, set aside a legal capital reserve at 10 % of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company, and then set aside special capital reserve in accordance with relevant laws or regulations of the Republic of China or as requested by the authorities. If any remaining profits are available, the Board of Directors shall prepare the proposal for distribution of profits for the approval from shareholders' meeting.

#### **Article 19-2**

Considering the Company is in an industry in a growth phase, profits may be distributed in total after taking into consideration financial, business, and operational



factors, and to be distributed upon approved by the shareholders' meeting. It is expected that the dividends, subject to the shareholders' approval, are in the range of 10% to 100% of distributable profits of a year, among which cash dividend shall not be less than 10% of total distribution.

## **Section VII - Supplementary Provisions**

### **Article 20**

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

### **Article 21**

The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

### **Article 22**

These Articles of Incorporation are agreed to and signed on May 25, 1966.

The first Amendment was made on February 1<sup>st</sup>, 1974

The second Amendment was made on August 17<sup>th</sup>, 1974

The third Amendment was made on June 26<sup>th</sup>, 1975

The fourth Amendment was made on August 13<sup>th</sup>, 1976

The fifth Amendment was made on April 23<sup>rd</sup>, 1977,

The sixth Amendment was made on December 9<sup>th</sup>, 1978

The seventh Amendment was made on April 24<sup>th</sup>, 1981

The eighth Amendment was made on December 10<sup>th</sup>, 1982

The ninth Amendment was made on July 16<sup>th</sup>, 1985

The tenth Amendment was made on September 2<sup>nd</sup>, 1989

The eleventh Amendment was made on October 11<sup>th</sup>, 1995

The twelfth Amendment was made on June 16<sup>th</sup>, 1998

The thirteenth Amendment was made on February 17<sup>th</sup>, 2001

The fourteenth Amendment was made on April 20<sup>th</sup>, 2002

The fifteenth Amendment was made on June 14<sup>th</sup>, 2003

The sixteenth Amendment was made on August 23<sup>rd</sup>, 2003

The seventeenth Amendment was made on June 18<sup>th</sup>, 2005

The eighteenth Amendment was made on June 23<sup>rd</sup>, 2006

The nineteenth Amendment was made on June 27<sup>th</sup>, 2008

The twentieth Amendment was made on June 16<sup>th</sup>, 2009

The twenty-first Amendment was made on June 17<sup>th</sup>, 2010

The twenty-second Amendment was made on June 5<sup>th</sup>, 2012

The twenty-third Amendment was made on June 3<sup>rd</sup>, 2013

The twenty-fourth Amendment was made on February 17<sup>th</sup>, 2014

The twenty-fifth amendment was made on March 3<sup>rd</sup>, 2015. The deletion of the articles in relation to Supervisors and the amendment to the articles in relation to the Audit Committee take effect on the date when the audit committee is established.

The twenty-sixth Amendment was made on June 27<sup>th</sup>, 2016

The twenty-seventh Amendment was made on October 25<sup>th</sup>, 2016

The twenty-eighth Amendment was made on December 16<sup>th</sup>, 2016

The twenty-ninth Amendment was made on June 27<sup>th</sup>, 2017