

LOTUS PHARMACEUTICAL CO., LTD

RULES AND PROCEDURES OF BOARD OF DIRECTORS MEETINGS

[English translation for reference only]

Approved on 2018/02/12

1. For corporate governance and to ensure a solid system for supervising and managing the operation, the Rules and Procedures of Board of Directors Meetings (“the Rules and Procedures”) is adopted pursuant to Article 2 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
2. Matters concerning the Company’s Board of Directors Meetings, including the agenda of the meetings, operations, items to be specified in the meeting minutes, announcements, and other items, shall be conducted in accordance with the Rules and Procedures.
3. The Board of Directors Meetings shall be held at least once every quarter.

The Board of Directors Meeting shall be convened upon written notices sent to all Directors seven days prior to the date of the meeting, specifying the meeting agenda. However, the Board of Directors Meetings may be convened at any time without such prescribed notices in case of urgent circumstances.

The notice can be delivered in electronic form if consent by the Board members.

Except for any urgent circumstances or legitimate reasons, the material matters listed in Paragraph 1 of Article 12 of the Rules and Procedures should be included in the meeting agenda in advance and may not be presented as special motions.

4. The department in charge of handling the administrative matters in relation to the Board of Directors Meetings (“the Board secretariat”) appointed by Board of Directors is Financial Department.

The Board secretariat shall conduct the drafting of meeting agendas and provide the relevant meeting materials when sending out the meeting notices.

If the Directors consider meeting materials to be insufficient, they may request the Board secretariat to provide supplemental materials in advance. If the Directors consider meeting materials to be insufficient during the meeting, the meeting may be postponed upon a resolution of the Board of Directors.

5. An attendance book shall be provided at every Board of Directors Meeting for the attending Directors to sign in for record.

The Directors shall attend the Board of Directors Meetings in person. If unable to attend in person, a Director may appoint another Director to attend on his/her behalf by proxy in accordance with the Company's Articles of Incorporation. Any Director attending the meeting via video conference shall be deemed to have attended the meeting in person.

A proxy which specifies the scope of authorization shall be executed when a Director appoints another Director to attend the Board of Directors Meetings on his/her behalf. A Director can only act for one another Director by proxy at one time.

6. The Board of Directors Meetings shall be held at the head office and during the office hours of the Company or at any other appropriate place and time convenient for the Directors to attend.
7. The Board of Directors Meetings shall be convened and presided over by the Chairman of the Board of Directors. However, the first meeting of every term of the newly elected Board of Directors shall be convened and presided over by the Director who has received the largest number of votes after such election. If there are two or more persons with such convening rights, they shall elect from amongst themselves one person to convene and preside over the meeting.

In case the Chairman of the Board of Directors is on leave or unable to exercise his/her powers for any cause, the Vice Chairman of the Board of Directors shall act on his/her behalf. If there is no Vice Chairman or the Vice Chairman is also on leave or unable to exercise his/her powers for any cause, the Chairman shall appoint a Managing Director to act on his/her behalf. If there is no Managing Director, a Director shall be appointed to act on behalf of the Chairman. In the absence of such an appointee, the Directors shall elect from amongst themselves one person to act on behalf of the Chairman.

8. The Board secretariat shall have all the relevant materials prepared for attending Directors' review when the Board of Directors Meetings are held.

Depending on the subject matters of proposed resolutions, relevant managerial personnel may be invited to present at the Board of Directors Meetings. CPAs, legal counsels, or other professional experts may also be invited to the meetings to provide professional opinions when necessary but shall excuse themselves and vacate the meeting when the proposed resolutions will be discussed and resolved.

The Chairman of the Board of Directors shall call the meeting to order when more than half of the Directors are presented at the scheduled time of the meeting.

If half or more of the Directors are not presented at the scheduled time for a Board of Directors Meeting, the Chairman may postpone the time of the meeting. The postponements shall be limited to twice at the most. If after two postponements no quorum can yet be constituted, the Chairman may reconvene the meeting pursuant to the procedures under Paragraph 2 of Article 3 of the Rules and Procedures.

The number of Directors shall be counted as the number of members actually in office at the given time.

9. The process of a Board of Directors Meeting shall be fully tape or video recorded and retained for five years which can be done via electronic form.

If litigation occurs regarding any matter resolved by the Board of Directors before the above retention period expires, the relevant recording files shall continue to be retained until the litigation is concluded.

The video files shall be deemed as part of meeting minutes if a meeting is conducted via video conference and retained for the duration of the existence of the Company.

10. The agenda of regular Board of Directors Meetings shall include at least the following items:
 - A. Report items:
 - i. The meeting minutes of last meeting;
 - ii. Material business and financial reports;
 - iii. Internal audit reports; and

iv. Other important matters report.

B. Discussion items:

i. Discussion items reserved by last meeting; and

ii. Discussion items of the current meeting.

C. Special motions

11. A Board of Directors Meeting shall proceed in accordance with the agenda attached to the meeting notice. However, it can be changed if agreed by more than half of the attending Directors.

Unless otherwise resolved at the meeting, the Chairman cannot announce adjournment of the meeting before all the discussion items listed in the agenda are resolved.

In the process of a Board of Directors Meeting, if the number of Directors presented at the meeting becomes fewer than half of the Directors originally attending the meeting, the Chairman shall announce a temporary adjournment of the meeting upon a motion made by any Director present at the meeting, and Paragraph 4 of Article 8 of the Rules and Procedures applies mutatis mutandis to such case.

12. The following matters should be discussed and resolved by Board of Directors of the Company:

A. The Company's business report;

B. Annual or semi-annual financial reports with the exception for the semi-annual financial reports which are not required to be audited by external auditors;

C. Adoption, amendment, and assessment of the effectiveness of an internal control system in accordance to Article 14-1 of Securities and Exchange Act;

D. Adoption or amendment of procedures for acquisition or disposal of assets, financial derivatives transactions, leading funds to other parties, or providing endorsement or guarantees for other parties in accordance to Article 36-1 of Securities and Exchange Act;

E. Offering, issuance, or private placement of any equity-type securities;

F. Appointment or discharge of CFO, Controller, or head of internal auditor;

G. Donations to related parties or material donations to non-related parties. For emergency donations made for the public welfare for material disasters relief, the Board of Directors may ratify such donations in its next Board of Directors Meeting; and

H. Any other matters that shall be resolved by the Shareholders' Meeting or the Board of Directors Meetings as required by relevant laws and regulations or the Company's Articles of Incorporation, or that are deemed to be material by the regulatory authorities.

“Related parties” mentioned in Item G above are those specified in Regulations Governing the Preparation of Financial Reports by Securities Issuers. For purpose of Item G above, “maternal donation to non-related parties” shall mean donations made, individually or in the aggregate, to any single recipient within a one-year period, that equals or exceed NT\$100 million or 1% of revenue or 5% of paid-in capital as reflected in the audited financial reports for the most current fiscal year.

The aforesaid one-year period is as of the date of the Board of Directors Meeting tracing back to one-year time prior to the date. The portion that already discussed and resolved by the Board of Directors is exempted from calculation.

With respect to the discussion of matters specified in item 1, Independent Directors all attend the Board of Directors Meetings in person or appoint another Independent Director to attend on his/her behalf if one cannot attend in person.

Any dissenting opinion or abstention by Independent Directors shall be recorded in the meeting minutes. If Independent Directors are unable to attend Board of Directors Meetings in person to express their dissenting opinion or abstention, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the meeting minutes.

13. The Chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate for voting.

Resolutions shall be deemed adopted if no objection is voiced by any of the attending Directors after solicitation by the Chairman. If objection is voiced after solicitation by the Chairman, such resolution shall be voted.

The method of voting shall be one of the following as determined by the Chairman unless objection is voiced and otherwise determined by a majority:

A. By showing of hands or voting through machine;

B. By voicing votes; or

C. By casing ballots.

The number of attending Directors in previous paragraphs shall not include the Directors who are unable to exercise voting rights in accordance to Paragraph 1 of Article 15 of the Rules and Procedures.

14. Except otherwise specified in the Securities and Exchange Act or the Company Act, a resolution shall be adopted by a majority of those Directors present at a meeting attended by a majority of all Directors.

If there is an amendment to or substitute for a proposed resolution, the Chairman shall decide the sequence of voting for such proposed resolution and the amendment or substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is required.

The Chairman shall appoint persons to monitor the voting process and persons to count the ballots if necessary. The persons appointed to monitor the voting process should be Directors.

The result of voting shall be announced at the meeting and placed on record.

15. If a Director or the judicial person the Director represents has a personal interest in the matter under discussion at the meeting, the relevant Director shall disclose the nature of such personal interest. If such interest may impair the interest of the Company, the relevant Director shall not join the discussion and voting of such matter, and shall recuse himself/herself when the matter is being discussed and resolved; nor shall the relevant Director exercise voting right on behalf of another Director.

The resolutions of the Board of Directors as to the Directors unable to exercise voting right per previous paragraph shall be conducted in accordance to Paragraph 3 of Article 206 and Paragraph 2 of Article 180 of the Company Act.

16. The resolutions of every Board of Directors Meeting shall be recorded in the meeting minutes.

The meeting minutes shall accurately record the following items:

- A. The term (or year), place, and time of the meeting;
- B. The name of the Chairman;
- C. The attendance situation of the Directors, including the names and numbers of those who are present, on leave, and absent;
- D. The names and titles of the other attendants;
- E. The name of the recorder;
- F. Report items;
- G. Discussion items: the voting method and the result of each proposed resolution; the summary of opinion by the Directors, experts, and other personnel; the names of the Directors that disclosed a conflict of interest under previous article of the Rules and Procedures, summary of the nature of the conflict of interest, the reasons for recusal or non-recusal, and the circumstances of recusal; any dissenting opinion or distention with a written statement; any written statement provided by the Independent Directors pursuant to Paragraph 5 of Article 12 of the Rules and Procedures;
- H. Special motions: the names of the persons proposing the special motions; the voting method and the result of each proposed resolution; the summary of opinion by the Directors, experts, and other personnel; any dissenting opinion or abstention with a written statement; and
- I. Other items that shall be recorded.

Any of the following items in relation to a resolution made at a Board of Directors Meeting shall be stated in the meeting minutes and be published on an information reporting website designated by the regulatory authorities within two days after the meeting:

- A. Any matter about which an Independent Director expresses a dissenting opinion or abstention with a record or written statement.

B. For the company that has an audit committee, any matter adopted with the approval from two-thirds or more of all Directors while not approved by the audit committee.

The attendance book constitutes part of meeting minutes of the Board of Directors Meetings and shall be retained for the duration of the existence of the Company.

The meeting minutes shall be signed or chopped by the Chairman and the recorder, and a copy of the minutes shall be distributed to each Director within 20 days after the meeting and shall be retained during the existence of the Company.

The meeting minutes under the preceding paragraph may be produced and distributed in electronic form.

17. During the period that Board of Directors Meeting is in recess, the Chairman of the Board of Directors is authorized to exercise the duties of the Board of Directors with the exception for the items to be resolved by the Board of Directors in accordance with relevant regulations or related-party transactions. The authorization includes the following items:

A. Review the managerial decisions of the Company;

B. Review and adopt the financial budget of the Company;

C. Supervise the operational results of the Company;

D. Assess, review, monitor, and manage any risk that the Company may have;

E. Ensure the Company in compliance with the relevant regulations;

F. Plan the future development of the Company;

G. Establish and maintain the Company profile and social responsibility;

H. Engage and interact with external experts such as legal counsels; and

I. Other relevant matters.

18. The adoption of the Rules and Procedures shall be approved by the Board of Directors and reported to the Shareholders' Meeting. Any amendments to the Rules and Procedures shall be approved by the Board of Directors.

19. The compensation of Directors and managerial officers shall be discussed and proposed by the Remuneration Committee for the Board of Directors' resolution.

Board of Directors could decide not to adopt or make revisions to the recommendation proposed by Remuneration Committee for the compensation of Directors and managerial officers only when agreed by a majority in a meeting attended by over two-thirds of the Directors with a written explanation as to whether the Board of Directors' resolution is better than Remuneration Committee's recommendation.

If the compensation resolved by the Board of Directors is better than the recommendation proposed by the Remuneration Committee, the differences and the reasons of such resolution shall be stated in the meeting minutes of the Board of Directors Meeting and announced within two days after the meeting.