



高端疫苗生物製劑股份有限公司  
MEDIGEN VACCINE BIOLOGICS CORP

# 2021 Annual Shareholders' Meeting Meeting Handbook

Date: June 29, 2021

Place: R&D Center International Conference Hall, 2nd Floor, No. 8,  
Section 2, Shengyi Road, Zhubei City, Hsinchu County

(This English version handbook is the translation of the Chinese version and is for reference purposes only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.)

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# **Chapter I. Procedures for 2021 Annual Shareholders' Meeting of Medigen Vaccine Biologics Corp.**

I. Report the number of shares represented at the meeting

II. Announcing the Opening of the Meeting

III. Chairperson Remarks

IV. Report Items

V. Ratifications

VI. Discussion and Election Items

VII. Other Matters

VIII. Questions and Motions

IX. Adjournment

## **Chapter II. Agenda of 2021 Annual Shareholders' Meeting of Medigen Vaccine Biologics Corp.**

Meeting Date: June 29, 2021 (Tuesday) at 9:00 a.m.

Place: R&D Center International Conference Hall, 2nd Floor, No. 8, Section 2, Shengyi Road,  
Zhubei City, Hsinchu County

### **I. Chairperson's Remarks**

### **II. Report Items**

(I). 2020 Business Operations Report

(II). Audit Committee Review Report

(III). The Implementation of 2020 Operation Plan of the Company

### **III. Ratifications**

(I). The Company's 2020 business report and financial statements.

(II). Adoption of the Proposal for 2020 Deficit Compensation

### **IV. Discussion and Election Items**

(I) Amendment to "The Procedures for Acquisition and Disposal of Assets

(II) Amendment to " The Procedures for Loaning of Company Funds."

(III) Comprehensive re-election of directors and independent directors.

### **V. Other Matters**

Proposal for release the Prohibition on directors and their representative from participation in competitive business.

### **VI. Questions and Motions**

### **VII. Adjournment**

## [Report Items]

Item I. 2020 Business Report.

Description: 2020 Business Report (Please refer to Attachment I of the Handbook)

Item II. The Audit Committee's Review Report.

Description: Audit Committee's Review Report on the 2020 Financial Statement(Please refer to Attachment II of the Handbook).

Item III. The Implementation of 2020 Operation Plan of the Company

Description: The Implementation of 2020 Operation Plan of the Company (Please refer to Attachment III of the Handbook).

## [Ratifications]

Item No. 1

Proposed by the Board of Directors

Proposal: Adoption of the 2020 Business Report and Financial Statements.

Explanation:

1. The Company's individual and consolidated financial statements for 2020 have been duly audited by Lin, Ya-Hui and Teng, Sheng-Wei, CPAs from PwC, who have attested the final report, and issued the audit report with unqualified opinion, and the business report for concomitant review and approval by the Audit Committee, and adoption by resolution of the Board of Directors.
2. Please refer to Attachment 1 of the Handbook for the 2020 business report and Attachment IV for the 2020 financial statements.
3. The proposal is hereby submitted to the shareholders' meeting for ratification.

Resolution:

Item No. 2

Proposed by the Board of Directors

Proposal: Adoption of the Proposal for 2020 deficit compensation.

Explanation:

1. Please refer to Attachment V for the 2020 statements of deficit compensation
2. The Accumulative loss for 2020 was NT\$1,291,997,966, which has reached one-half of the paid-in capital. and the Accumulative loss is NT\$0 after the additional paid-in capital covers the losses. The balance is NT\$986,178,587 after the aforementioned losses are made up.

Resolution:

## [Discussion and Election Items]

Item No. 1

Proposed by the Board of Directors

Proposal: Amendment to "The Procedures for Acquisition or Disposal of Assets".

Explanation:

1. In accordance with Article 19 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," to update the maximum loss limit of the Company's derivative product transaction total and individual contract.
2. Please refer to page 33 of the Handbook (Attachment VI) for the Comparison Table of Amended Articles

Resolution:

Item No. 2

Proposed by the Board of Directors

Proposal: Amendment to " The Procedures for Loaning of Company Funds ".

Explanation:

1. Delete the provision that the Company's capital loan to others can be extended by one year or one business cycle by the resolution of the board of directors in accordance with Paragraph 3 of "the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
2. Please refer to page 33  
of the Handbook (Attachment VI) for the Comparison Table of Amended Articles

Resolution:

Item No. 3

Proposed by the Board of Directors

Proposal: To re-elect Directors and Independent Directors.

Explanation:

1. The term of current director and supervisor of the Company will expire on June 4, 2021 and will be fully re-elected at this regular shareholders' meeting.
2. The Company has set the Audit Committee in accordance with the Securities and Exchange Act. The Audit Committee shall be comprised of all independent directors and its members shall be no less than 3 persons.
3. Seven Directors (including three Independent Directors) will be elected successively The term of newly elected Directors is 3 years. The former directors shall retire from their positions on the day the new directors are elected.
4. The directors and independent directors of the Company election adopts the candidates nomination system. The qualifications, experience, and other relevant information of shareholders should be selected from the list of candidates for the director and independent director as follows:

Serial Number	Category of Candidates	Name of Candidates	Shares Held	Academic Background	Experiences	Current Status
1	Director Candidates	Medigen Biotech Corp.	45,847,811	1. Bachelor of Medicine, National Taiwan	1. Head of the Department of Medicine, Tzu Chi Medical	1. Director of TBG Inc. 2. Director of TBG Diagnostics Ltd

Serial Number	Category of Candidates	Name of Candidates	Shares Held	Academic Background	Experiences	Current Status
		Representative: Chang, Shih-Chung		University School of Medicine 2. Doctor of Laser Medicine, University of London, UK	College 2. Director of Department of Urology, Tzu Chi Hospital 3. Attending Physician at National Taiwan University Hospital 4. General Manager of Medigen Biotech Corp.	3. Chairman of the board of TBG Diagnostics Limited 4. Chairman of the board of Medigen Biotech Corp. 5. Chairman of Winston Medical Supply Co., Ltd. 6. Chairman of Umo International Co., Ltd. 7. Director of Medigen Cell Technology Co., Ltd. 8. Chairman of Medigen Biotech Corp. (Beijing) 9. Executive Director of Medigen Biotech Corp. (Xiamen) 10. Director of TBG Diagnostics Limited (Xiamen) 11. Chairman of Shiny Lily Co., Ltd. 12. Director of MVC BioPharma Ltd 13. Director of TDL HOLDING CO.
2	Director Candidates	Medigen Biotech Corp. Representative: Chang, Ken-Hu	45,847,811	1. Graduated from the Department of Medicine, China Medical College 2. Graduated from the Executive Leadership Research Class of School of Professional Education and Continuing Studies of National Taiwan University	1. Director of the Department of Hematology and Oncology and Director of the Department of Clinical Pathology, Taipei Zhongxing Hospital 2. Director of Hematology and Oncology Department and Director of Cancer Center, Tungs' Taichung MetroHarbor Hospital 3. Attending physician and deputy director of the Cancer Center, Department of Hematology and Oncology, Shuangho Hospital, Ministry of Health and Welfare	Attending physician in the Department of Hematology and Oncology, En Chu Kong Hospital
3	Director Candidates	Representative of Schweitzer Biotech Company Ltd. Chen, Tsan-Chien	7,049,560	Department of Psychology, National Taiwan University	1. President of SBC-Virbac Inc. 2. Founder of Schweitzer Biotech Company Ltd.	1. Distinguished Visiting Professor of Biotechnology Innovation at Temple University, Philadelphia, USA 2. Chairman of Thermolysis Co., Ltd.
4	Director Candidates	Chen, Wei-Zen	6,698	PhD in Management, Chang Jung Christian University	1. Chairman of the Taiwan Pharmaceutical Manufacturer's Association 2. Director of the Chinese National Federation of Industries	1. Chairman of Syngen Biotech Co., Ltd. 2. General manager of Standard Pharmaceutical Co., Ltd. 3. Director of We Can Medicines Co., Ltd. 4. Consultant of Executive Yuan Government Affairs 5. Honorary Chairman of the Taiwan Pharmaceutical Manufacturer's Association 6. Chairman of Taiwan Functional food Industry Association 7. Chairman of Taiwan Biotechnology Industry Alliance 8. Supervisor of Taiwan Drug Relief Foundation
5	Independent Director Candidate	Chang, Ming-Cheng	0	1. Master of Business Administration, University of Michigan 2. Bachelor of Mechanical Engineering, National Taiwan University	CPA of Deloitte & Touche	1. Ocean Alexander Independent Director 2. United Alloy-Tech. Company Independent Director



Serial Number	Category of Candidates	Name of Candidates	Shares Held	Academic Background	Experiences	Current Status
6	Independent Director Candidate	Lin, Chia-Hsiu	0	Master of Botany, National Taiwan University	1. General Manager of Production Division of Vribac Co., Ltd. 2. Independent Director of Standard Chem & Pharm CO., LTD. 3. Chairman and General Manager of Gaosheng Pharmaceutical Co., Ltd. 4. Chief Operating Officer of Lytone Co., Ltd.	None
7	Independent Director Candidate	Li, Yao-Chi	0	1. Postdoctoral research at Yale University School of Medicine, USA 2. PhD in Genetics, North Carolina State University, USA 3. Bachelor of Science, Department of Botany, National Taiwan University	1. Dean of the Department of Life Sciences, National Tsinghua University 2. Director of the Institute of Biotechnology, National Tsinghua University 3. Dean of the College of Biotechnology and Resources, Da Yeh University	1. Founder and director of Fortune Anti-aging Nutraceuticals, Co. Ltd. 2. Consultant of Cross-Strait Tsinghua Research Institute 3. Technology Consultant of Yunnan Alphy Biotech Co., Ltd.

5. Please refer to Page 39 in this Handbook for " Rules for Election of Directors".

6. The proposal is hereby submitted to the shareholders' meeting for resolution.

Resolution:

## [Other Matters]

Proposed by the Board of Directors

Proposal: For release the Prohibition on directors and their representative from participation in competitive business.

Description:

1. According to Article 209 of the Company Act: "A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval".
2. Propose to the shareholders for newly elected Directors and their representatives.

Name of Director		Current Status
Director	Medigen Biotech Corp. Representative: Chang, Shih-Chung	<ol style="list-style-type: none"> <li>1. Director of TBG Inc.</li> <li>2. Director of TBG Diagnostics Ltd</li> <li>3. Chairman of TBG Diagnostics Limited</li> <li>4. Chairman of Medigen Biotech Corp.</li> <li>5. Chairman of Winston Medical Supply Co., Ltd.</li> <li>6. Chairman of Umo International Co., Ltd.</li> <li>7. Director of Medigen Cell Technology Co., Ltd.</li> <li>8. Chairman of Medigen Biotech Corp. (Beijing)</li> <li>9. Executive Director of Medigen Biotech Corp. (Xiamen)</li> <li>10. Director of TBG Diagnostics Limited (Xiamen)</li> <li>11. Chairman of Shiny Lily Co., Ltd.</li> <li>12. Director of MVC BioPharma Ltd</li> <li>13. Director of TDL HOLDING CO.</li> </ol>
Director	Medigen Biotech Corp. Representative: Chang, Ken-Hu	Attending physician in the Department of Hematology and Oncology, En Chu Kong Hospital
Director	Representative of Schweitzer Biotech Company Ltd.: Chen, Tsan-Chien	<ol style="list-style-type: none"> <li>1. Distinguished Visiting Professor of Biotechnology Innovation at Temple University, Philadelphia, USA</li> <li>2. Chairman of Thermolysis Co., Ltd.</li> </ol>
Director	Chen, Wei-Zen	<ol style="list-style-type: none"> <li>1. Chairman of Syngen Biotech Co., Ltd.</li> <li>2. General manager of Standard Pharmaceutical Co., Ltd.</li> <li>3. Director of We Can Medicines Co., Ltd.</li> <li>4. Consultant of Executive Yuan Government Affairs</li> <li>5. Honorary Chairman of the Taiwan Pharmaceutical Manufacturer's Association</li> <li>6. Chairman of Taiwan Functional food Industry Association</li> <li>7. Chairman of Taiwan Biotechnology Industry Alliance</li> <li>8. Supervisor of Taiwan Drug Relief Foundation</li> </ol>

Name of Director		Current Status
Independent Director	Chang, Ming-Cheng	1. Independent Director of Ocean Alexander 2. Independent Director of United Alloy-Tech Company
Independent Director	Lin, Chia-Hsiu	None
Independent Director	Li, Yao-Chi	1. Founder and director of Fortune Anti-aging Nutraceuticals, Co. Ltd. 2. Consultant of Cross-Strait Tsinghua Research Institute 3. Technology Consultant of Yunnan Alphy Biotech Co., Ltd.

Resolution:

[Questions and Motions]

[Adjournment]

## Chapter III. Attachments

### [Attachment I]

#### Medigen Vaccine Biologics Corp.

#### Business Report

##### I. 2020 Business Report

##### (I) Implementation results of the 2020 business plan and profitability analysis

The Company is a biotechnology new drug research and development company. The research and development product line includes COVID-19 vaccines, enterovirus vaccines, dengue vaccines, monoclonal antibody biosimilar drugs, etc. Most of the main products are in the middle and late stages of research and development. The biological preparation factory located in the Zhubei plant complies with the Good Manufacturing Practices for Western Medicines and has obtained the PIC/S GMP appraisal license of complete production of Enterovirus 71 vaccine from the original solution to the sterile preparation of vaccine injection solution filling operations, sorting/packing operations and laboratory operations. The product has completed Phase III clinical trials and will be used for production and shipment from a PIC/S GMP-certified vaccine factory after obtaining the drug certificate, and will be deployed in Taiwan, Mainland China and Southeast Asia. In addition, the COVID-19 vaccine completed the preclinical trial and the interim analysis report of the first phase human clinical trial in 2020, and obtained the TFDA Phase II clinical trial approval on December 29, 2020.

In response to the outbreak of COVID-19 in 2020, the Company developed a COVID-19 Real-Time Polymerase chain reaction kit (RT-PCR). Sales revenue for 2020 included RT-PCR sales and testing services was NT\$11,507 thousand. Operating expenses were NT\$771,517 thousand, of which research and development expenses were NT\$679,556 thousand. After adding the net non-operating income, the net loss for the current period was NT\$674,280 thousand.

##### (II) Budget implementation and financial revenue and expenditure

The implementation of the 2020 budget:

In NT\$ thousand

Year	2020		
Item	Actual Amount	Estimated Amount	Deviation
Sales Revenue	11,507	4,631	6,876
Operating costs	3,871	999	2,872
Gross Profit	7,636	3,632	4,004
Operating Expenses	771,517	877,730	(106,213)
Non-operating income and expenses	89,601	31,091	58,510

Year	2020		
Item	Actual Amount	Estimated Amount	Deviation
Net loss before tax	674,280	843,007	(168,727)

It is mainly due to the COVID-19 subsidy received from the Centers for Disease Control (CDC) this year, which caused the difference between the actual quantity and the estimated quantity.

### (III) Research and Development

For the COVID-19 vaccine, the company signed a cooperative development contract with the National Institutes of Health in February 2020 to obtain a COVID-19 vaccine candidate and related biological materials. The animal immunogenicity experiment was carried out in Taiwan in March, and it was evaluated that this technology platform has development value; the two parties signed a global commercial license agreement on May 5, 2020, and obtained the complete rights to use, produce, and sell the Recombinant Spike Protein Vaccine" for COVID-19. The US National Institutes of Health has developed a production platform for coronavirus spike protein vaccines such as SARS and MERS in the past. In addition to continuing NIH's existing research and development results to conduct animal and clinical trials in Taiwan, the Company will also simultaneously develop mass production process parameters. The preclinical toxicology test, the hamster challenge test, and the interim analysis report of the first phase of the human clinical trial were completed in 2020, and the second phase of the human clinical trial application was submitted to the Food and Drug Administration (TFDA) on December 15, 2020. After review and evaluation by the TFDA expert meeting, the second phase of clinical trial approval was obtained on December 29, 2020.

The Company's enterovirus EV71 vaccine multi-country multi-center phase III clinical trial was conducted simultaneously in Taiwan and Vietnam, and the number of cases received in both places was completed in December 2020. This vaccine verification is applicable to young infants and young children aged 2 months to 6 months who are most in demand for vaccines, to meet the best immunization needs and build product competitiveness.

## II. Business plan for 2021

- (I) The second phase of clinical trials of the COVID-19 vaccine has been enrolled, and strive to complete data analysis and apply for Taiwan's Emergency Use Authorizations (EUA) in the first half of the year; Following the domestic vaccine delivery plan in the second half of the year, the Company will provide the COVID-19 vaccine to increase the overall domestic vaccine delivery rate and contribute to Taiwan's epidemic prevention.
- (II) As for the EV71 vaccine of enterovirus, the Company is the first company in the world to obtain clinical trial data for infants aged 2 to 6 months. It has completed the third phase of the EV71 vaccine in April 2021. The multi-center clinical trial was successful in

unblinding, and the data has reached the standard recommended by the Taiwanese regulatory agency. After the clinical trial report is completed, it is expected to be completed in the second quarter and submitted to Taiwan to apply for review. Then Vietnam and the ASEAN countries will successively submit applications for drug certification and strive to start sales next year. When applying for a drug certificate, the Company's enterovirus vaccine will actively deploy both self-funded and publicly-funded markets. It can immediately expand its market share and establish herd immunity for children in Taiwan after the drug certificate is obtained.

- (III) The Company represented South Korea's GC Pharma quadrivalent seasonal influenza vaccine and applied for an import certificate. Based on business strategy considerations, it changed to its own brand. While GC Pharma produces the antigen, the Company takes charge of filling, packaging, and the quality control of the solution to increase local vaccine production rate and effectively control the product quality, profit, and delivery time.
- (IV) For the dengue vaccine, the Company is still in continuous communication with its partners for the Phase III multi-country and multi-center clinical trial planning in Taiwan and Southeast Asia.
- (V) In terms of biosimilar drugs, the Company has market rights in major Asian countries and assist in the implementation of clinical trials in major Asian countries, and are responsible for the implementation of clinical trials in major Asian countries. Drug certification applications, process introduction, and mass production planning are also under active evaluation.

### III. Future Development Strategies

The Company focuses on the development and production of vaccines and other genetically engineered protein drugs (including antibody drugs and virus-like particles) with "new cell culture process technology". As the vaccine industry has high threshold characteristics with special manufacturing processes and complex production restrictions and large-scale mass production capacity, it will become an important link to fill the gap in epidemic prevention in the Asia-Pacific region and form the Company's largest competitiveness foundation.

MVC has the only PIC/S GMP cell culture vaccine mass-production plant in Taiwan and has obtained the PIC/S GMP evaluation license. It has also obtained certification for the filling operation, packing operation, and laboratory operation of the enterovirus EV71 vaccine from the original solution to the sterile preparation of the vaccine injection solution. In the future, it will enter the domestic, Southeast Asian, and mainland China vaccine markets with a factory-scale production process. With cell culture mass production capabilities, it has established long-term cooperative relationships with international R&D units such as NIH and WHO.

In the future, R&D and business development of vaccines and protein drugs will be continued, and the steady growth of various businesses will be pursued in order to pursue the largest shareholder's equity.

IV. Effect of external competition, the legal environment, and the overall business environment

At present, all walks of life in Taiwan continue to focus on and invest resources in the biotechnology industry. Government policies, competent authorities, capital markets, investors, etc. have adopted a positive and optimistic attitude towards the country's vigorous development of the biotechnology industry. With relatively abundant resources, the Company will continue to use external resources and favorable legal conditions to fulfill its social responsibilities and seek the best interests of shareholders.

Chairman: Chang, Shih-Chung



**[Attachment II]**

Medigen Vaccine Biologics Corp.

**Audit Committee Review Report**

The Board of Directors has approved the Company's 2020 Individual Financial Statements and Consolidated Financial Statements audited by Ms. Lin, Ya-Hui and Mr. Teng, Sheng-Wei. The engagement partners from PwC were retained to audit Medigen Vaccine Biologics Corp.'s Financial Statements and have issued an audit report relating to the Financial Statements. We have examined the Company's 2020 Financial Statements, Business Report, and the proposal for Deficit Compensation that have been approved by the Board of Directors. We hereby respectfully prepare and present this Report in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of The Company Act for your review.

Medigen Vaccine Biologics Corp.

Convener of the Audit Committee: Chang, Ming-Cheng

March 5, 2021



**[Attachment III]**

The Implementation of 2020 Operation Plan

Currency Unit: NTD Thousand

Year	2020		
Item	Actual Amount	Estimated Amount	Deviation
Sales Revenue	11,507	4,631	6,876
Operating costs	3,871	999	2,872
Gross Profit	7,636	3,632	4,004
Operating Expenses	771,517	877,730	(106,213)
Non-operating income and expenses	89,601	31,091	58,510
Net loss before tax	674,280	843,007	(168,727)

Description of major differences:

1. The decrease in operating expenses is due to the adjustment of the commissioned experiment cost has not yet been fully paid.
2. The increase in non-operating income was due to the COVID-19 subsidy from CDC.

# [Attachment IV] Individual Financial Statements and Independent Auditors' Report for 2020

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Medigen Vaccine Biologics Corporation

### *Opinion*

We have audited the accompanying parent company only balance sheets of Medigen Vaccine Biologics Corporation (the "Company") as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the parent company only financial statements for the year ended December 31, 2020 were as follows:

#### **Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets** **Description**

Refer to Note 4(16) for accounting policies on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets, Note 6(5) for details of property, plant and equipment, Note 6(6) for details of right-of-use assets, and Note 6(7) for details of intangible assets. As at December 31, 2020, the Company's property, plant and equipment, right-of-use assets and intangible assets at fair value amounted to NT\$1,403,427 thousand, constituting 41% of total assets.

The Company measures recoverable amount based on the value in use. The evaluation of the value in use of each cash-generating unit involves management's subjective judgments, including the estimation of future cash flows and appropriate discount rates. We believe that the aforementioned assumptions are highly uncertain, and the estimated results have significant impact on the value in use. Therefore, we consider the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Understand the reasonableness of the management's estimation process of the future cash flow of the Company.
2. Discuss financial forecasts with management and compare their reasonableness with historical results.
3. Review the reasonableness of assumptions such as sales revenue growth rate and gross margin, and the parameters of the discount rate used, including the reasonableness of risk-free rate of the cost of equity capital, the risk coefficient of the industry, and similarity assets return in the market.

#### *Responsibilities of management and those charged with governance for the parent company only financial statements*

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

#### *Auditor's responsibilities for the audit of the parent company only financial statements*

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Ya-Hui

Teng, Sheng-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2021

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**MEDIGEN VACCINE BIOLOGICS CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1) and 8	\$	1,675,466	48	\$	405,460	18
1110	Financial assets at fair value through	6(2)						
	profit or loss - current			53,170	2		53,230	2
1170	Accounts receivable, net			4,463	-		-	-
1200	Other receivables	6(25)		126,252	4		-	-
130X	Inventories			77,432	2		8,395	1
1410	Prepayments			17,302	-		2,898	-
1470	Other current assets			51,639	1		43,785	2
11XX	Total current assets			2,005,724	57		513,768	23
Non-current assets								
1550	Investments accounted for using	6(4)						
	equity method			4,000	-		5,131	-
1600	Property, plant and equipment	6(5) and 8		1,159,857	33		1,331,975	58
1755	Right-of-use assets	6(6)		183,559	6		331,077	15
1780	Intangible assets	6(7)		60,011	2		61,806	3
1990	Other non-current assets, others	6(1) and 8		77,537	2		33,098	1
15XX	Total non-current assets			1,484,964	43		1,763,087	77
1XXX	Total assets		\$	3,490,688	100	\$	2,276,855	100

(Continued)

**MEDIGEN VACCINE BIOLOGICS CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8) and 7	\$ -	-	\$ 30,000	1
2150	Notes payable		597	-	32,420	2
2170	Accounts payable		21,179	1	1,899	-
2200	Other payables		136,632	4	77,311	4
2280	Current lease liabilities	6(26)	1,928	-	8,360	-
2320	Long-term liabilities, current portion	6(9), 7 and 8	-	-	77,078	3
2399	Other current liabilities, others		513	-	550	-
21XX	Total current liabilities		160,849	5	227,618	10
Non-current liabilities						
2540	Long-term borrowings	6(9), 7 and 8	-	-	356,088	16
2580	Non-current lease liabilities	6(26)	185,854	5	326,366	14
2670	Other non-current liabilities, others		2,575	-	-	-
25XX	Total non-current liabilities		188,429	5	682,454	30
2XXCX	Total Liabilities		349,278	10	910,072	40
Equity						
Share capital		6(12)				
3110	Share capital - common stock		2,110,988	61	1,560,258	68
3140	Capital collected in advance		3,620	-	129,798	6
Capital surplus		6(11)(13)				
3200	Capital surplus		2,319,154	66	294,575	13
Retained Earnings		6(14)				
3350	Accumulated deficit		( 1,291,998)	( 37)	( 617,718)	( 27)
Other equity interest		6(15)				
3400	Other equity interest		( 354)	-	( 130)	-
3XXCX	Total equity		3,141,410	90	1,366,783	60
Significant contingent liabilities and unrecognised contract commitments		9				
3X2X	Total liabilities and equity		\$ 3,490,688	100	\$ 2,276,855	100

**MEDIGEN VACCINE BIOLOGICS CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16)	\$ 11,507	-	\$ 1,120	-
5000	Operating costs		( 3,871)	-	-	-
5900	Net operating margin		7,636	-	1,120	-
	Operating expenses	6(21)(22)				
6100	Selling expenses		( 7,653)	-	-	-
6200	General & administrative expenses		( 83,395)	-	( 64,362)	-
6300	Research and development expenses		( 679,556)	-	( 538,732)	-
6000	Total operating expenses		( 770,604)	-	( 603,094)	-
6900	Operating loss		( 762,968)	-	( 601,974)	-
	Non-operating income and expenses					
7100	Interest income	6(17)	1,471	-	4,588	-
7010	Other income	6(18)	77,753	-	-	-
7020	Other gains and losses	6(19)	26,790	-	614	-
7050	Finance costs	6(20)	( 16,419)	-	( 19,126)	-
7070	Share of loss of associates and joint ventures accounted for using equity method	6(4)	( 907)	-	( 1,820)	-
7000	Total non-operating revenue and expenses		88,688	-	( 15,744)	-
7900	Loss before income tax		( 674,280)	-	( 617,718)	-
7950	Income tax (expense) benefit	6(23)	-	-	-	-
8200	Loss for the year		( \$ 674,280)	-	( \$ 617,718)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	( \$ 224)	-	( \$ 130)	-
8300	Other comprehensive loss for the year		( \$ 224)	-	( \$ 130)	-
8500	Total comprehensive loss for the year		( \$ 674,504)	-	( \$ 617,848)	-
	Earnings per share (in dollars)	6(24)				
9750	Basic earnings per share		( \$ 3.61)		( \$ 3.97)	

**MEDIGEN VACCINE BIOLOGICS CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Capital		Capital Reserves				Other equity interest	
		Share capital - common stock	Capital collected in advance	Additional paid-in capital	Employee stock options	Others	Total unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Total equity
	Notes								
<b>Year ended December 31, 2019</b>									
Balance at January 1, 2019		\$ 1,555,240	\$ 210	\$ 504,393	\$ 28,564	\$ -	(\$ 476,340 )	\$ -	\$ 1,612,067
Loss for the year		-	-	-	-	-	( 617,718 )	-	( 617,718 )
Other comprehensive loss	6(15)	-	-	-	-	-	-	( 130 )	( 130 )
Total comprehensive income		-	-	-	-	-	( 617,718 )	( 130 )	( 617,848 )
Capital surplus used to cover accumulated deficit	6(14)	-	-	( 476,340 )	-	-	476,340	-	-
Issuance of common stock for cash		-	129,798	207,678	-	-	-	-	337,476
Shares issued under employee stock plans	6(12)	5,018	( 210 )	4,390	( 3,037 )	-	-	-	6,161
Share-based payment transaction (Cash capital increase)	6(11)	-	-	-	5,700	-	-	-	5,700
Share-based payment transaction	6(11)	-	-	-	23,227	-	-	-	23,227
Balance at December 31, 2019		\$ 1,560,258	\$ 129,798	\$ 240,121	\$ 54,454	\$ -	(\$ 617,718 )	(\$ 130 )	\$ 1,366,783
<b>Year ended December 31, 2020</b>									
Balance at January 1, 2020		\$ 1,560,258	\$ 129,798	\$ 240,121	\$ 54,454	\$ -	(\$ 617,718 )	(\$ 130 )	\$ 1,366,783
Loss for the year		-	-	-	-	-	( 674,280 )	-	( 674,280 )
Other comprehensive loss	6(15)	-	-	-	-	-	-	( 224 )	( 224 )
Total comprehensive income		-	-	-	-	-	( 674,280 )	( 224 )	( 674,504 )
Issuance of common stock for cash	6(12)	540,000	( 129,798 )	1,952,323	-	-	-	-	2,362,525
Shares issued under employee stock plans	6(12)	10,730	3,620	44,426	( 16,826 )	-	-	-	41,950
Share-based payment transaction (Cash capital increase)	6(11)	-	-	41,307	( 5,700 )	-	-	-	35,607
Share-based payment transaction	6(11)	-	-	-	9,049	-	-	-	9,049
Others		-	-	-	( 130 )	130	-	-	-
Balance at December 31, 2020		\$ 2,110,988	\$ 3,620	\$ 2,278,177	\$ 40,847	\$ 130	(\$ 1,291,998 )	(\$ 354 )	\$ 3,141,410



**CASH FLOWS FROM OPERATING ACTIVITIES**

Loss before tax		( \$	674,280 )	( \$	617,718 )
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation	6(5)(21)		102,270		98,699
Amortization of right-of-use assets	6(6)(21)		12,136		11,814
Amortization	6(7)(21)		7,848		7,970
Valuation loss(gain) on financial assets at fair value through profit or loss	6(2)(19)		60	(	430 )
Interest expense	6(20)		7,230		9,958
Interest expense on lease liabilities	6(6)(20)		9,189		9,168
Interest income	6(17)	(	1,471 )	(	4,588 )
Share-based payment	6(11)(22)		44,656		28,927
Recognition of losses on investments accounted for using equity method	6(4)		907		1,820
Transfer expense on property, plant, and equipment			129		5,081
Gains on disposals of property, plant, and equipment	6(19)	(	19,730 )		-
Gain on lease modification	6(6)(19)	(	2,971 )		-
Loss on disposal of investments	6(2)(19)		-		186
Changes in operating assets and liabilities					
Changes in operating assets					
Financial assets at fair value through profit or loss			-	(	50,268 )
Accounts receivable, net		(	4,463 )		-
Other receivables		(	252 )		-
Inventories		(	69,037 )		1,775
Prepayments		(	14,404 )		-
Other current assets		(	7,828 )	(	11,238 )
Changes in operating liabilities					
Notes payable		(	31,823 )		32,307
Accounts payable			19,280	(	2,409 )
Other payables			48,584		32,401
Other current liabilities		(	37 )		77
Cash outflow generated from operations		(	574,007 )	(	446,468 )
Interest received			1,445		4,559
Interest paid		(	16,419 )	(	19,126 )
Net cash flows used in operating activities		(	588,981 )	(	461,035 )

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of financial assets at amortized cost		-	(	196,000	)	
Repayment of financial assets at amortized cost		-		695,800		
Acquisition of investments accounted for using equity method	6(4)	-	(	7,081	)	
Acquisition of property, plant, and equipment	6(25)	(	46,079	(	110,085	)
Acquisition of intangible assets	6(7)	(	6,053	(	83	)
Proceeds from disposals of property, plant, and equipment	6(25)		29,692		-	
Refundable deposits (recognised in "Other non-current assets")		(	312	(	779	)
Prepayments for equipment (recognised in "Other non-current assets")		(	53,168	(	7,209	)
Restricted assets(recognised in "Other non-current assets")		(	386		-	
Net cash flows (used in) from investing activities		(	76,306		374,563	

**CASH FLOWS FROM FINANCING ACTIVITIES**

Increase in short-term borrowings	6(26)		30,000		30,000
Repayments of short-term borrowings	6(26)	(	60,000 )	(	10,000 )
Repayments of long-term borrowings	6(26)	(	433,166 )	(	80,617 )
Repayments of the principal lease liabilities	6(26)	(	8,591 )	(	8,165 )
Issuance of common stock for cash			2,362,525		337,476
Exercise of employee stock plan			41,950		6,161
Deposits received (recognised in "Other non-current assets")			2,575		-
Net cash flows from financing activities			1,935,293		274,855
Net increase in cash and cash equivalents			1,270,006		188,383
Cash and cash equivalents at beginning of year			405,460		217,077
Cash and cash equivalents at end of year		\$	1,675,466	\$	405,460

# Consolidated Financial Statements and Independent Auditors' Report for 2020

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Medigen Vaccine Biologics Corporation

### *Opinion*

We have audited the accompanying consolidated balance sheets of Medigen Vaccine Biologics Corporation and its subsidiary (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements for the year ended December 31, 2020 were as follows:

#### **Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets** Description

Refer to Note 4(16) for accounting policies on impairment of non-financial assets, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets, Note 6(4) for details of property, plant and equipment, Note 6(5) for details of right-of-use assets, and Note 6(6) for details of intangible assets. As at December 31, 2020, the Group's plant and equipment, right-of-use assets and intangible assets at fair value amounted to NT\$1,403,427 thousand, constituting 40% of the consolidated total assets.

The Group measures recoverable amount based on the value in use. The evaluation of the value in use of each cash-generating unit involves management's subjective judgments, including the estimation of future cash flows and appropriate discount rates. We believe that the aforementioned assumptions are highly uncertain, and the estimated results have significant impact on the value in use. Therefore, we consider the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets as a key audit matter.



#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Understand the reasonableness of the management's estimation process of the future cash flow of the group.
2. Discuss financial forecasts with management and compare their reasonableness with historical results.
3. Review the reasonableness of assumptions such as sales revenue growth rate and gross margin, and the parameters of the discount rate used, including the reasonableness of risk-free rate of the cost of equity capital, the risk coefficient of the industry, and similarity assets return in the market.

#### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Medigen Vaccine Biologics Corporation as at and for the years ended December 31, 2020 and 2019.

#### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

#### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Ya-Hui

Teng, Sheng-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



**MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 1,679,422	48	\$ 410,621	18
1110	Financial assets at fair value through profit or loss - current	6(2)	53,170	2	53,230	2
1170	Accounts receivable, net		4,463	-	-	-
1200	Other receivables	6(24)	126,252	4	-	-
130X	Inventories		77,432	2	8,395	1
1410	Prepayments		17,302	1	2,898	
1470	Other current assets		51,639	1	43,785	2
11XX	Total current assets		2,009,680	58	518,929	23
Non-current assets						
1600	Property, plant and equipment	6(4) and 8	1,159,857	33	1,331,975	58
1755	Right-of-use assets	6(5)	183,559	5	331,077	15
1780	Intangible assets	6(6)	60,011	2	61,806	3
1990	Other non-current assets	6(1) and 8	77,707	2	33,277	1
15XX	Total non-current assets		1,481,134	42	1,758,135	77
1XXX	Total assets		\$ 3,490,814	100	\$ 2,277,064	100

(Continued)

**MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(7) and 7	\$ -	-	\$ 30,000	1
2150	Notes payable		597	-	32,420	2
2170	Accounts payable		21,179	1	1,899	-
2200	Other payables		136,758	4	77,520	4
2280	Current lease liabilities	6(25)	1,928	-	8,360	-
2320	Long-term liabilities, current portion	6(8), 7 and 8	-	-	77,078	3
2399	Other current liabilities		513	-	550	-
21XX	<b>Total current liabilities</b>		<u>160,975</u>	<u>5</u>	<u>227,827</u>	<u>10</u>
	<b>Non-current liabilities</b>					
2540	Long-term borrowings	6(8), 7 and 8	-	-	356,088	16
2580	Non-current lease liabilities	6(25)	185,854	5	326,366	14
2600	Other non-current liabilities		2,575	-	-	-
25XX	<b>Total non-current liabilities</b>		<u>188,429</u>	<u>5</u>	<u>682,454</u>	<u>30</u>
2XXX	<b>Total liabilities</b>		<u>349,404</u>	<u>10</u>	<u>910,281</u>	<u>40</u>
	<b>Equity attributable to owners of parent</b>					
	Share capital	6(11)				
3110	Common stock		2,110,988	61	1,560,258	68
3140	Capital collected in advance		3,620	-	129,798	6
	Capital surplus	6(10)(12)				
3200	Capital surplus		2,319,154	66	294,575	13
	Retained Earnings	6(13)				
3350	Accumulated deficit		( 1,291,998)	( 37)	( 617,718)	( 27)
	Other equity interest	6(14)				
3400	Other equity interest		( 354)	-	( 130)	-
31XX	<b>Equity attributable to owners of parent</b>		<u>3,141,410</u>	<u>90</u>	<u>1,366,783</u>	<u>60</u>
3XXX	<b>Total equity</b>		<u>3,141,410</u>	<u>90</u>	<u>1,366,783</u>	<u>60</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,490,814</u>	<u>100</u>	<u>\$ 2,277,064</u>	<u>100</u>

**MEDIGEN VACCINE BIOLOGICS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(15)	\$ 11,507	-	\$ 1,120	-
5000 Operating costs		( 3,871)	-	-	-
5900 Net operating margin		7,636	-	1,120	-
Operating expenses	6(20)(21)				
6100 Selling expenses		( 7,653)	-	-	-
6200 General and administrative expenses		( 84,308)	-	( 66,300)	-
6300 Research and development expenses		( 679,556)	-	( 538,732)	-
6000 Total operating expenses		( 771,517)	-	( 605,032)	-
6900 Operating loss		( 763,881)	-	( 603,912)	-
Non-operating income and expenses					
7100 Interest income	6(16)	1,477	-	4,706	-
7010 Other income	6(17)	77,753	-	-	-
7020 Other gains and losses	6(18)	26,790	-	614	-
7050 Finance costs	6(19)	( 16,419)	-	( 19,126)	-
7000 Total non-operating income and expenses		89,601	-	( 13,806)	-
7900 Loss before income tax		( 674,280)	-	( 617,718)	-
7950 Income tax (expense) benefit	6(22)	-	-	-	-
8200 Loss for the year		( \$ 674,280)	-	( \$ 617,718)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(14)	( \$ 224)	-	( \$ 130)	-
8300 Other comprehensive loss for the year		( \$ 224)	-	( \$ 130)	-
8500 Total comprehensive loss for the year		( \$ 674,504)	-	( \$ 617,848)	-
Loss attributable to:					
8610 Owners of parent		( \$ 674,280)	-	( \$ 617,718)	-
Comprehensive loss attributable to:					
8710 Owners of parent		( \$ 674,504)	-	( \$ 617,848)	-
Earnings per share (in dollars)	6(23)				
9750 Basic earnings per share		( \$ 3.61)		( \$ 3.97)	

Medigen Vaccine Biologics Corporation AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent						Other equity interest Exchange differences on translation of foreign financial statements	Total equity
		Capital	Capital Reserves				accumulated deficit		
Notes		Share capital - common stock	Capital collected in advance	Additional paid-in capital	Employee stock options	Others	accumulated deficit		
<u>Year ended December 31, 2019</u>									
		\$ 1,555,240	\$ 210	\$ 504,393	\$ 28,564	\$ -	(\$ 476,340 )	\$ -	\$ 1,612,067
		-	-	-	-	-	( 617,718 )	-	( 617,718 )
6(14)	Other comprehensive loss	-	-	-	-	-	-	( 130 )	( 130 )
	Total comprehensive income	-	-	-	-	-	( 617,718 )	( 130 )	( 617,848 )
6(13)	Capital surplus used to cover accumulated deficit	-	-	( 476,340 )	-	-	476,340	-	-
	Issuance of common stock for cash	-	129,798	207,678	-	-	-	-	337,476
6(11)	Shares issued under employee stock plans	5,018	( 210 )	4,390	( 3,037 )	-	-	-	6,161
6(10)	Share-based payment transaction (Cash capital increase)	-	-	-	5,700	-	-	-	5,700
6(10)	Share-based payment transaction	-	-	-	23,227	-	-	-	23,227
	Balance at December 31, 2019	\$ 1,560,258	\$ 129,798	\$ 240,121	\$ 54,454	\$ -	(\$ 617,718 )	(\$ 130 )	\$ 1,366,783
<u>Year ended December 31, 2020</u>									
	Balance at January 1, 2020	\$ 1,560,258	\$ 129,798	\$ 240,121	\$ 54,454	\$ -	(\$ 617,718 )	(\$ 130 )	\$ 1,366,783
	Loss for the year	-	-	-	-	-	( 674,280 )	-	( 674,280 )
6(14)	Other comprehensive loss	-	-	-	-	-	-	( 224 )	( 224 )
	Total comprehensive income	-	-	-	-	-	( 674,280 )	( 224 )	( 674,504 )
6(11)	Issuance of common stock for cash	540,000	( 129,798 )	1,952,323	-	-	-	-	2,362,525
6(11)	Shares issued under employee stock plans	10,730	3,620	44,426	( 16,826 )	-	-	-	41,950
6(10)	Share-based payment transaction (Cash capital increase)	-	-	41,307	( 5,700 )	-	-	-	35,607
6(10)	Share-based payment transaction	-	-	-	9,049	-	-	-	9,049
	Others	-	-	-	( 130 )	130	-	-	-
	Balance at December 31, 2020	\$ 2,110,988	\$ 3,620	\$ 2,278,177	\$ 40,847	\$ 130	(\$ 1,291,998 )	(\$ 354 )	\$ 3,141,410



**CASH FLOWS FROM OPERATING ACTIVITIES**

Loss before tax		( \$ 674,280 )	( \$ 617,718 )
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(20)	102,270	98,699
Amortization of right-of-use assets	6(5)(20)	12,136	11,814
Amortization	6(6)(20)	7,848	7,970
Valuation loss (gain) on financial assets at fair value through profit or loss	6(2)(18)	60 (	430 )
Interest expense	6(19)	7,230	9,958
Interest expense on leasing liabilities	6(5)(19)	9,189	9,168
Interest income	6(16)	( 1,477 )	( 4,706 )
Gains on disposals of property, plant, and equipment	6(18)	( 19,730 )	-
Share-based payment	6(10)(21)	44,656	28,927
Transfer expense on property, plant, and equipment		129	5,081
Loss on disposal of investments	6(2)(18)	-	186
Gain on lease modification	6(5)(18)	( 2,971 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		- (	50,268 )
Accounts receivable, net		( 4,463 )	-
Other receivables		( 252 )	-
Inventories		( 69,037 )	1,775
Prepayments		( 14,404 )	-
Other current assets		( 7,828 )	( 11,238 )
Changes in operating liabilities			
Notes payable		( 31,823 )	32,307
Accounts payable		19,280 (	2,409 )
Other payables		48,502	32,612
Other current liabilities		( 37 )	75
Cash outflow generated from operations		( 575,002 )	( 448,197 )
Interest received		1,451	4,677
Interest paid		( 16,419 )	( 19,126 )
Net cash flows used in operating activities		( 589,970 )	( 462,646 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at amortized cost		- (	219,984 )
Repayment of financial assets at amortized cost		-	719,784
Acquisition of property, plant, and equipment	6(24)	( 46,079 )	( 110,085 )
Acquisition of intangible assets	6(6)	( 6,053 )	( 83 )
Proceeds from disposals of property, plant, and equipment	6(24)	29,692	-
Refundable deposits (recognised in "Other non-current assets")		( 304 )	( 958 )
Prepayments for equipment (recognised in "Other non-current assets")		( 53,168 )	( 7,209 )
Restricted assets (recognised in "Other non-current assets")		( 386 )	-
Net cash flows (used in) from investing activities		( 76,298 )	381,465
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(25)	30,000	30,000
Repayments of short-term borrowings	6(25)	( 60,000 )	( 10,000 )
Repayments of long-term borrowings	6(25)	( 433,166 )	( 80,617 )
Repayment of the principal lease liabilities	6(25)	( 8,591 )	( 8,165 )
Issuance of common stock for cash		2,362,525	337,476
Exercise of employee stock plan		41,950	6,161
Deposits received (recognize in "Other non-current liabilities")		2,575	-
Net cash flows from financing activities		1,935,293	274,855
Changes in exchange rates		( 224 )	( 130 )
Net increase in cash and cash equivalents		1,268,801	193,544
Cash and cash equivalents at beginning of year		410,621	217,077
Cash and cash equivalents at end of year		<u>\$ 1,679,422</u>	<u>\$ 410,621</u>

[Attachment V]

**Medigen Vaccine Biologics Corp.**

**2020 Statements of Deficit Compensation**

Currency Unit: NT\$

Item	Amount
Accumulated deficit at the beginning of the period	\$617,717,610
Add: Net loss of the year	674,280,356
Items for compensating deficit:	
Add: Additional Paid-in Capital	1,291,997,966
Accumulated deficit at the end of the period	\$0
Notes: Distribution of employee bonus NT\$0	
Distribution of Director and Supervisor's remuneration: NT\$0	

Chairman: Chang, Shih-Chung



General Manager: Chen, Tsan-Chien



Accounting Manager: Yang, Yu-Ping



## [Attachment VI]

The Procedures for Acquisition or Disposal of Assets			
Provisions	Amended Provisions	Current Provisions	Description
Article 12	<p>Procedures for Acquisition or Disposal of Derivatives</p> <p>I. Principles and Guidelines for Transactions</p> <p>(I) ~ (VI) (Omitted)</p> <p>(VII) Upper Limit of Loss</p> <p>Please see the following for overall and individual contractual upper loss limits:</p> <p>1. Hedging transactions:</p> <p><u>The upper limit of the total contract loss is 5% of the total transaction contract amount, and the upper limit of the individual contract loss amount does not exceed 5% of the transaction contract amount.</u></p> <p>2. Specific Purpose Transactions:</p> <p>The "operation team" conducts transactions within the authorized limit. After the derivative product position is established, a stop-loss point shall be set to prevent excess loss. The stop-loss point is limited to no more than 5% of the <u>total transaction contract amount, and the upper limit of the individual contract loss amount shall not exceed 5% of the transaction contract amount.</u></p> <p>II. ~ V. (Omitted)</p>	<p>Procedures for Acquisition or Disposal of Derivatives</p> <p>1. Principles and Guidelines for the Transaction</p> <p>(I) ~ (VI) (Omitted).</p> <p>(VII) Upper Limit of Loss</p> <p>Please see the following for overall and individual contractual upper loss limits:</p> <p>1. Hedging transactions:</p> <p><del>Such transactions are undertaken based on the Company's actual needs. Relevant risks are controlled from prior evaluations; hence, there are no problems associated with the stop-loss limit</del></p> <p>2. Specific Purpose Transactions:</p> <p>The "operation team" conducts transactions within the authorized limit. After the derivative product position is established, a stop-loss point shall be set to prevent excess loss. The stop-loss point is limited to no more than 5% of the transaction contract amount.</p> <p>II. ~ V. (Omitted)</p>	<p>Amend the upper limit of all and individual contract losses for the Company's derivative commodity transactions in accordance with Subparagraph 1, Article 19 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

The Procedures for Loaning of Company Funds			
Provisions	Amended Provisions	Current Provisions	Description
Article 6	<p>Duration of loans and calculation of interest</p> <p>I. In principle, the duration of each fund loaned shall not exceed one year or one business cycle (whichever is longer) from the date of the fund granted.</p> <p>II.~III. (Omitted).</p>	<p>Duration of loans and calculation of interest</p> <p>I. In principle, the duration of each fund loaned shall not exceed one year or one business cycle (whichever is longer) from the date of the fund granted,<del>and may only be extended one year or one business cycle with the approval of the Board of Directors via resolution.</del></p> <p>II.~III. (Omitted).</p>	<p>Delete the provision that "The Company shall lend funds to others after the resolution of the Board of Directors" in accordance with Paragraph 2 of Article 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

## Chapter IV. Appendices

### [Appendix I]

#### Medigen Vaccine Biologics Corp.

#### Articles of Incorporation

##### Chapter I. General Principles

- Article 1: The Company is organized in accordance with the Company Act and named MEDIGEN VACCINE BIOLOGICS CORPORATION.
- Article 2: The business to be operated by the Company is as follows:
1. IG01010 Biotechnology Services
  2. F401010 International Trade
  3. C802041 Manufacture of Drugs and Medicines
  4. F108021 Wholesale of Western Pharmaceutical
  5. F108031 Wholesale of Drugs, Medical Goods
  6. CF01011 Medical Materials and Equipment Manufacturing
- Research, design, develop, manufacture and sell the following products:
- Cell culture vaccine:  
Influenza vaccine, enterovirus vaccine, dengue fever vaccine and other cell culture vaccines, etc.
- Other biological agents:  
Development and manufacture of biosimilar drugs (palivizumab, anti-RSV virus antibody drug, Fabry enzyme freeze crystal injection, etc.), cell culture for cell therapy.
- Article 3: The Company may endorse and guarantee its business needs.
- Article 4: The total amount of the Company's reinvestment is not subject to the restriction that Article 13 of the Company Act shall not exceed 40% of the paid-in capital, and the Board of Directors is authorized to execute.
- Article 5: The headquarters of the Company is located in Hsinchu Science Industrial Park. The Company may establish branches or subsidiaries in Taiwan or overseas as the Company may require upon resolution by the board of directors of the Company ("Board" or "Board of Directors").
- Article 6: The Company's announcement method is handled in accordance with the Company Act and related regulations.

##### Chapter II. Shares

- Article 7: The total capital amount of the Company is NT\$3,000,000,000, divided into 300,000,000 shares with a value of NT\$10 per share, authorize the board of directors to resolve the issuance. Among them, 10,000,000 shares are reserved for the issuance of employee stock options.
- Article 8: The shares of the Company are all registered shares. Shareholders shall inform the Corporations' shareholder services agent of their names, domiciles, or residences for recording in the shareholders' register, and hand the chop specimens over to the Corporations' shareholder services agent. If the shareholder is a legal person, the chop specimens with the full title of the legal person's name shall be sent to the Corporations' shareholder services agent for deposit and check. Legal person shareholders may also request to register their representative's chop specimens and send it to the Corporations' shareholder services agent for deposit and check.
- The Company's stock shall be numbered and contain the items listed in Article 162 of the Company Act, duly signed by or affixed with seals by the Chairperson and a

minimum of 3 Directors, and duly authenticated by the competent authority or the issuance registry institution accredited by the competent authority before issuance. When the Company issues public shares, it may issue shares without certificates, and such shares shall be registered with a central securities depository in accordance with the aforementioned issued shares.

Article 9: When the seals kept by shareholders are lost, they shall apply to the company's stock affairs agent for a new seal.

Article 10: Registration for the transfer of shares shall be completed sixty (60) days before the date of each annual meeting, thirty (30) days before the date of each special meeting, or five (5) days before the date on which dividends, bonus, or any other distributions will be paid or made by the Company.

### **Chapter III. Shareholders' Meeting**

Article 11: The disposal methods of the Company's stock operations are handled in accordance with relevant laws and the regulations of the competent authority.

Article 12: There are two types of shareholders' meetings of the Company, the annual meeting and the special meeting. Annual meetings shall be convened by the Board of Directors annually within six (6) months after the end of each fiscal year. The special meetings will be convened when necessary in accordance with the provisions of the Company Act. The convention of ordinary and extraordinary Shareholders' Meetings shall be in compliance with Article 172 of the Company Act.

Article 13: A shareholder who is unable to attend the shareholders' meeting may authorize another person to attend as a proxy using the form provided by the Company affixed with the seal that such shareholder left in the Company's safekeeping, which specifies the scope of authorization in accordance with Article 177 of the Company Act. Where the Company is publicly issued, it shall be handled in accordance with Article 25-1 of the Securities and Exchange Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" prescribed by the competent authority.

Article 14: All shareholders are entitled to one vote for every share held, except for the circumstances stipulated in Article 179 of the Company Act where shares are not assigned voting rights or are limited for voting.

Article 15: Except as otherwise provided by the Company Act, the shareholders' resolutions shall be adopted upon the approval of a majority of the voting shares present at the meeting, which is attended by holders of a majority of the total issued and outstanding shares of the Company. After public listing, electronic voting shall be included in one of the voting methods in accordance with the requirements of the competent authority, shareholders of the Company may also exercise voting rights in electronic means pursuant to regulations from the competent authority. A shareholder exercising voting rights in electronic means shall be deemed to have attended the Shareholders' Meeting in person, and related matters shall be handled in accordance with the law.

Article 16: The shareholders' meetings shall be presided by the Chairman of the Board. When the chairperson of the Board is on leave or for any reason is unable to exercise the powers of the chairperson, one of the directors shall be appointed to act as the chair by the chairperson. Where the chairperson does not make such appointment, directors shall elect one person from among themselves to serve as chair. In case of two or more conveners, one of them shall be elected from among themselves to chair the meeting.

Article 17: The resolutions of the shareholders' meeting shall be made into deliberation and shall be handled in accordance with Article 183 of the Company Act. After the public offering, the Company shall not cancel the public offering without a resolution of the board of shareholders.

The preceding provisions shall not be changed during the period of the Company's emerging stock registration or listing on TWSE/TPEX.

Article 18: Deleted.

#### **Chapter IV. Directors**

Article 19: The Company shall have 5~9 directors, who shall be elected from legally competent persons at the shareholders' meeting and hold office for 3 years; re-elected directors may serve consecutive terms.

After the Company's public offering of stocks, among the number of directors in the preceding paragraph, the number of independent directors shall not be less than 2 and shall not be less than one-fifth of the number of directors. The qualifications, shareholding, part-time restrictions, nomination and selection methods of independent directors, and other matters to be complied with shall be handled in accordance with the relevant regulations of the securities authority. The election and appointment of all directors adopt a candidate nomination system, and the shareholders' meeting selects from the list of director candidates. The method of accepting the nomination of candidates and public announcements shall be handled in accordance with the Company Act, the Securities Exchange Act, and other relevant laws.

The Company may purchase liability insurance for the directors during their tenures, which shall cover the directors' liabilities arising from the performance of their duties.

The Company may set up an Audit Committee composed of all members of independent directors in accordance with the Securities and Exchange Act, whose exercise of duties and other compliance matters shall be handled in accordance with the Company Act, the Securities and Exchange Act, and other relevant decrees or the Articles of Incorporation.

Article 20: The Board is composed of directors. The directors shall elect a Chairman from among themselves in the Board meeting with the consent of the majority of attending directors which represents more than two-thirds of all directors, and a Vice-Chairman depending on the business needs. The Chairperson is the representative of the Company. If the Chairman of the Board is on leave or unable to exercise his powers and duties for any reason, the chairperson of the meetings shall be appointed pursuant to Article 208 of the Company Act.

Article 21: Unless otherwise prescribed by law, a Board of Directors meeting shall be duly convened and chaired by the Chairperson. Except as otherwise provided by the Company Act, resolutions of the Board of Directors shall be adopted by at least a majority of the directors present at a meeting attended by at least a majority of the directors holding office.

Article 22: The reasons for calling a board of Directors meeting shall be notified to each Director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The notices to the Board of Directors meeting mentioned in the preceding paragraph may be served in writing or by means of facsimile or e-mail.

Article 23: If a director is unable to personally attend the Board of Directors' meeting for cause, he or she may authorize another director to attend on his or her behalf in accordance with the laws. No director may act as a proxy for more than one other director in accordance with Article 205 of the Company Act.

Article 24: The remuneration of all directors shall be determined by the Board of Directors according to the degree of directors' participation in the operation of the Company and their contribution, and shall be determined by reference to the standard of the industry.

#### **Chapter V: Managers**

Article 25: The Company may have managerial officers. Appointment, discharge and remuneration of these managerial officers shall be in compliance with Article 29 of the Company Act.

## **Chapter VI: Accounting**

- Article 26: The fiscal year of the Company shall begin on January 1 and end on December 31 of each year. After the end of each fiscal year and closing of the accounts and annual settlement, the Board of Directors shall in accordance with the Company Act prepare the following statements, which shall be audited by the Audit Committee 30 days prior to the regular annual Shareholders' Meeting, and submit to the Shareholders' Meeting for adoption thereof.
1. Business report;
  2. Financial statements;
  3. Proposals of profit distribution or loss makeup.
- Article 27: When allocating the earnings at the end of each fiscal year, the Company shall first pay tax and makeup previous years' losses, and set aside a legal capital reserve at 10% of the remaining net profits, then set aside special capital reserve depending on business needs or in accordance with provisions or regulations. The balance plus the retained earnings at the beginning of the period shall be retained or distributed to shareholders by a resolution of the shareholders' meeting.
- Article 27-1: If the Company has earnings, it shall set aside 1% of the balance as remuneration to the employees and no greater than 1% of the balance as remuneration to directors. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration.
- Article 28: The Company's dividend policy is issued in the form of stock dividends (including surplus and capital reserve allotment) or cash dividends. The Board of Directors considers the operating conditions, capital requirements, and the surplus of the current year (deducting the required deposit) to propose a surplus distribution proposal which is approved by the shareholders' meeting. Cash dividends are based on the principle of 50% higher than the payable dividends. However, if there is a major capital expenditure plan in the future, it will be approved by the shareholders' meeting and all will be paid as stock dividends.
- Article 29: Moreover, if manager or employee roles are also assumed by the Company shareholders or Directors, they will be paid in monthly compensations like all other employees.
- Article 30: The organizational charter and by-laws of the Company shall be separately set up
- Article 31: In the case that these Articles are incomplete, all Articles shall be in accordance with related Articles of Securities and Exchange Act.
- Article 32: The Articles of Incorporation was set up on October 9, 2012  
The 1st amendment was on June 14, 2013  
The 2nd amendment was on June 18, 2014  
The 3rd amendment was on April 30, 2015  
The 4th amendment was on September 30, 2015  
The 5th amendment was on June 2, 2017  
The 6th amendment was on June 5, 2018  
The 7th amendment was on June 13, 2019

Medigen Vaccine Biologics Corp.

Chairman: Chang, Shih-Chung





## **[Appendix II]**

### **Medigen Vaccine Biologics Corp.**

#### **Rules for Election of Directors**

- Article 1: The Regulations are formulated in accordance with Articles 21 and 41 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” for fair, impartial, and open Directors elections.
- Article 2: Unless otherwise provided for in relevant laws and regulations or the company's Articles of Incorporation, the Directors of the company shall be duly elected in accordance with the Rules specified herein and adopted a candidate nomination system,
- Article 3: Company Director selection shall take into account the overall configuration of the Board of Directors. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties, and the entire BOD shall possess the following abilities:
- I. Business judgment ability.
  - II. Accounting and financial analysis ability.
  - III. Business management ability.
  - IV. Crisis management ability.
  - V. Knowledge of the industry.
  - VI. International market perspective.
  - VII. Leadership.
  - VIII. Decision-making ability.
- Over a majority of the total number of Director seats shall not be served by the ones in the relationship of a spouse or a relative within the second degree of kinship.
- Article 5: The qualifications of the independent directors of the company shall comply with the provisions of Articles 2, 3, and 4 of the “Measures for the Establishment of Independent Directors of the Public Issuance Company and Matters to be Followed”.
- The selection of the Company's Independent Directors shall comply with the provisions of Article 5, Article 6, Article 7, Article 8 and Article 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and shall be conducted in accordance with Article 24 of the "Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies".
- Article 6: In the event that the directors are dismissed due to some reasons, and there are fewer than five people, the Board of Directors shall fill the vacant board seat during the next shareholders' meeting. However, if the vacancy of directors reaches one-third of the seats specified in the

articles of association, the Company shall convene an extraordinary Shareholders' Meeting to hold a by-election within 60 days from the date of occurrence of the event.

When the number of independent directors falls below that required under the provision of Paragraph 1, Article 14-2 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for TPEX Listing under Paragraph 1, Article 10 of the Taipei Exchange Market Rules Governing the Review of Securities for Trading on the TPEX, a by-election shall be held at the next shareholders' meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders' meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 7: The Company's Directors shall be duly elected by means of the registered cumulative voting. Each common share with voting right is entitled to the number of ballots which are equivalent to the numbers of Directors and Supervisors to be elected.

Article 8: The Board of Directors shall prepare the ballots in the number equal to the number of directors to be elected, with the number of voting rights being noted on the ballots, and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots.

Article 9: The number of directors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

Article 10: Before the election process starts, the chairperson shall appoint a certain number of ballot inspectors who are shareholders and counters to perform the respective duties. The ballot box shall be prepared by the Board of directors, and the scrutineers shall open the ballot box in public before voting.

Article 11: In the event that the candidate is a shareholder of the Company, the voters voting for such candidate shall fill in in the "candidate" column on the ballot such candidate's account name and shareholder account number. In the event that the candidate is not a shareholder of the Company, the voters voting for such candidate shall fill in in the "candidate" column on the ballot such candidate's name and ID number. In the event that the candidate is a government or a corporate shareholder, the voters voting for such candidate shall fill in the "candidate" column

on the ballot with the name of such government or corporate shareholder, or the name of such government or corporate shareholder together with the name of such government's or corporate shareholder's representative; when there are multiple representatives, the names of all representatives shall be listed.

Article 12: An election ballot is deemed null and void under any of the following circumstances:

- I. The ballot is not prepared by the Board of Directors.
- II. Any blank ballot.
- III. Any ballot with illegible writing rendering it unrecognizable, or any ballot with corrections.
- IV. Where the candidate voted for is a shareholder of the Company, such candidate's account name, and shareholder account number filled in in the ballot is inconsistent with that on the shareholder registry. Where the candidate voted for is not a shareholder of the Company, such candidate's name or ID number is verified to be incorrect.
- V. Any ballot with characters other than the candidate's account name (name) or shareholder account number (ID number) and the allocated number of voting rights.
- VI. The name of a candidate entered in the ballot is identical to that of another shareholder, but the shareholder account number or identity certificate number is not filled in the ballot to identify such an individual.

Article 13. Ballots shall be counted at the spot upon completion of casting the ballots, and the elected directors shall be announced by the Chairman.

Article 14. The Board of Directors shall issue a "notice of election" to the Directors who are elected in the election process.

Article 15. The Rules and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.

## **[Appendix III]**

### **Medigen Vaccine Biologics Corp.**

#### **Rules of Procedure for Shareholders' Meetings**

Article 1: This policy has been established in accordance with Article 5 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to enhance shareholders' governance, supervision, and management over the Company.

Article 2: Unless otherwise prescribed by relevant laws and ordinances or the Company's Articles of Incorporation, the Company shall duly convene the shareholders' meeting exactly in accordance with these Rules.

Article 3: Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before the date of the regular shareholders' meeting or 15 days before the date of the special shareholders' meeting. In addition, 15 days before the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review to shareholders at any time.

The cause or subject of a meeting of shareholders to be convened shall be indicated in the individual notice to be given to shareholders; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining prior consent from the recipient thereof. Election or discharge of directors and supervisors, alteration of the Articles of Incorporation, and dissolution, merger, spin-off, or any matters as set forth in Paragraph 1, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, shall be itemized in the causes or subjects to be described in the notice, and shall not be brought up as ex-temporary motions.

A shareholder holding 1% or more of the total number of issued shares may submit to a written proposal for discussion at a regular shareholders' meeting to the Company. Such proposals,

however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in the discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results and shall list in the meeting notice the proposals that conform to the provisions of this Article. At the shareholders' meeting, the Board of Directors shall explain the reasons for the exclusion of any shareholder proposals not included in the agenda.

Article 4: For each event of a shareholders' meeting, a shareholder may issue a proxy in the form printed by the Company to expressly stipulate the scope of authorized powers to authorize a representative(s) to attend a shareholders' meeting on his or her behalf. A shareholder shall execute a power of attorney, and appoint one proxy only. The power of attorney shall be delivered to the Company five days prior to the date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previously written proxy is made in the proxy which comes later.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 6: The Company shall provide an attendance register for the attending shareholders or their agents (hereinafter referred to as shareholders) to sign in, or require the attending shareholders to submit their sign-in cards in lieu of signing the register.

This Company shall provide the meeting agenda, annual report, attendance pass, speaker's slip, voting slips, and other meeting information to shareholders attending the shareholders' meeting. Voting tickets shall also be attached if the meeting includes director or supervisor elections.

Shareholders should be issued an official attendance card by the Company, and present original ID documents to attend the shareholders' meeting. Shareholders attending on behalf of others must have a proxy form along with official identification available for verification.

When the government or a corporate juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. If a juristic person is entrusted to attend the shareholders' meeting, such juristic person may only appoint one person to be its representative at the meeting.

Article 7: If a shareholders' meeting is convened by the Board of Directors of the Company (the "Board" or "Board of Directors"), the Chairman of the Board shall preside at such meeting. If the Chairman of the Board is on leave or unable to exercise his powers and duties for any reason, the Vice-Chairman of the Board shall preside at such meeting. The Chairman of the Board shall designate a managing director to preside as the chairman if a Vice-Chairman is not appointed, or if the Vice-Chairman of the Board is on leave or unable to exercise his powers and duties for any reason. If no managing director of the Company is appointed, the Chairman of the Board shall designate a director to preside as the chairperson. If the Chairman of the Board fails to designate a chairperson for the meeting, the managing director or the directors shall nominate one from among themselves to preside at the meeting.

Shareholders' meetings convened by the Board of Directors should be attended by more than half of the directors.

In the case of two or more conveners, one of them shall be elected from among themselves to chair the meeting.

The Company may appoint the retained Attorney(s)-at-Law, Certified Public Accountant(s) or relevant personnel to participate in a shareholder meeting as an observer.

Article 8: The Company shall record the entire process of the meeting and archive the file for at least one year. In the event of a lawsuit filed by a shareholder in accordance with Article 189 of the Company Law, those files shall be archived until the conclusion of the lawsuit.

Article 9: The participation by shareholders shall be duly calculated based on the number of shares they hold. The calculation of the number of shares present shall be based on the attendance register or

sign-in cards submitted by the shareholders and those shares whose votes are exercised by mail or electronically via the internet.

The chairperson shall call the meeting to order at the time scheduled for the meeting. In the event that the meeting is attended by shareholders representing less than half of the total issued shares, the chairperson may announce a postponement of the meeting; however, there may not be more than two postponements in total and the total time accumulated in the postponement(s) shall not exceed one hour. In the event that the meeting is attended by shareholders representing less than one-third of the total issued shares after two postponements, the chairperson may announce that the meeting should be canceled.

In the event that the meeting is attended by shareholders representing shares less than specified quorum after two postponements as set forth in the preceding paragraph, yet the attending shareholders representing more than one-third of the total issued shares are present, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act, and all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

In the event that the total number of shares represented by attending shareholders reaches a majority of the total issued shares before that same shareholders' meeting is adjourned, the chairperson may bring the tentative resolution(s) so adopted into the shareholder meeting anew to be duly resolved in accordance with Article 174 of the Company Act.

Article 10: In the event that the shareholder meeting is convened by the Board of Directors, the agenda shall be worked out by the Board of Directors. The shareholder meeting shall be duly convened based on the arranged agenda, which shall not be changed unless duly resolved by the shareholder meeting.

The preceding paragraph shall apply *mutatis mutandis* to meetings convened by any person, other than the Board of Directors, with the authority to convene such meeting. The Chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the Chairman declares the meeting adjourned in violation of these rules, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new Chairman in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the shareholders; where the chairperson believes an issue has been discussed in the meeting up to the level for voting, the chairperson may announce discontinuance of the discussion process and bring that issue to a vote.

Article 11: Prior to speaking at the meeting, an attending shareholder shall submit a slip of paper summarizing his/her/its comments and/or questions and specifying his/her/its shareholder account number (or the attendance ID number) and the account name of the shareholder, in order for the chairman to determine the speaking order.

An attending shareholder who submits a slip of paper but does not speak at the meeting is deemed to have not spoken. In the event of any inconsistency between the contents of the shareholder's speech and those recorded on the slip, the contents of the shareholder's speech shall prevail.

Unless otherwise permitted by the chairperson, a shareholder may only speak, up to two times, on a single proposal, each time no more than five minutes in length. However, the chairman may stop his speech if the shareholder's speech violates the regulations or exceeds the scope of the topic.

When an attending shareholder is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless permitted by the chairperson and such speaking shareholder; the chairperson shall stop any such violations.

In the event that a juristic (corporate) person shareholder appoints two or more representatives to participate in a shareholder meeting, only one representative may speak for the same issue. After the speech is given by an attending shareholder, the chairman may personally respond or designate relevant personnel to respond.

Article 12: The participation and voting by shareholders shall be duly calculated based on the number of shares they hold.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and such a relationship would prejudice the interests of this Company, he or she may not vote on that item or exercise voting rights as a proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent authority in charge of securities affairs, when a person is concurrently appointed as a proxy by two or more shareholders, the voting rights represented by the proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If the aforesaid percentage is exceeded, the voting rights in excess of the aforesaid percentage shall not be included in the calculation.

Article 13: A shareholder shall have one voting power in respect of each share; however, this limit is not applicable to those who are restricted, or who do not have the right to vote under Paragraph 2,



Article 179 of the Company Act.

When the Company convenes a shareholders' meeting, shareholders may exercise their voting power in writing or by way of electronic transmission (In accordance with the proviso of Paragraph 1, Article 177-1 of the Company Act, the Company shall adopt electronic voting: when the Company convenes a shareholders' meeting, it shall adopt electronic means and may exercise its voting rights in writing); the method of exercising their voting power shall be described in the shareholders' meeting notice. A shareholder who exercises his/her voting power at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting; it is, therefore, advisable that the Company avoid the submission of extempore motions and amendments to original proposals.

A shareholder who intends to exercise his/her voting rights by correspondence or electronically as mentioned in the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. In the event that duplicate declarations of intent are delivered to the Company, the first declarations of intent arriving at the Company shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided under the Company Act and/or the Company's Articles of Incorporation, a resolution shall be adopted with the approval of more than one-half of the votes of the shareholders present. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

In the event that an amendment or a substitute comes out of the same issue, the chairperson shall fix the order of balloting in consolidation with the original issue. When one among them is duly

resolved, other issue(s) is (are) deemed to have been vetoed and no voting process is required.

The person(s) supervising the casting of the ballots and the person(s) counting the ballots are designated by the chairperson, provided that the person(s) supervising the casting of the ballots shall be a shareholder.

The counting of votes shall be done publicly in the shareholders' meeting. The voting results shall be announced at the meeting and recorded in writing.

Article 14: When an election of director or supervisor is carried out in the shareholders' meeting, the election shall be held in accordance with the applicable election and appointment rules of the Company, and the voting results shall be announced on-site. The ballots shall be sealed and signed off by the ballot inspectors and be kept for at least a year. In the event of a lawsuit filed by a shareholder in accordance with Article 189 of the Company Law, those files shall be archived until the conclusion of the lawsuit.

Article 15: The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

Minutes of the meeting shall include the date and place of the meeting, the name of the chairperson at the meeting, the method for adopting the resolutions, and the summary and results of the proceedings. Minutes of the meetings shall be kept for as long as the Company is in existence.

Article 16: The number of shares acquired by the solicitor and the number of shares represented by the entrusted agent shall be clearly disclosed in the venue of the shareholders' meeting at the date of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or Taiwan Stock Exchange Corporation (or Taipei Exchange) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time.

Article 17: The staff members who take charge of the shareholder meeting affairs shall wear identification certificates or armbands.

The chairman may direct patrol personnel or security personnel to assist in maintaining the order of the meeting. Such patrol personnel or security personnel shall wear arm badges marked "Patrol Personnel" while assisting in maintaining the order of the meeting.

The meeting venue is equipped with an amplification system, the meeting chairperson may stop

the speech of a shareholder who fails to use the system prepared by the Company.

In the event that a shareholder violates the Rules Governing the Proceedings of Shareholder Meetings, defies the chairperson's rectification or obstructs the progress of the meeting or objects to the action to stop him or her, the chairperson may instruct the rectification (or security) personnel to help maintain the order of the meeting.

Article 18: When the meeting is held, the chairperson may announce a recess. When a force majeure event occurs, the chairperson may decide to temporarily suspend the meeting and announce the time for reconvening the meeting.

If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19: These Rules and any amendments thereof shall be put into enforcement after being resolved at the shareholders' meeting.

## **[Appendix IV]**

### **Medigen Vaccine Biologics Corp.**

#### **The Procedures for Acquisition or Disposal of Assets**

##### **Article 1: Purpose**

The Procedures for Acquisition or Disposal of Assets (“the Procedures”) are specially formulated to protect assets and implement information disclosure.

The acquisition or disposal of assets by the Company shall be handled in accordance with the provisions of this processing procedure.

##### **Article 2: Legal basis**

These Procedures are established in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies established by the Financial Supervisory Commission (the FSC).

##### **Article 3: Scope of the assets**

The term "assets" as used in these Procedures is applicable within the scope enumerated below:

- 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, etc.
- II. Real estate (including land, building and structures, real estate held for investment purposes, land usage rights, inventories of construction enterprises) and equipment.
- III. Memberships.
- IV. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Claims of financial institutions (including receivables, foreign exchange rebates, loans, and overdue receivables).
- VI. Derivatives.
- VII. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or share transfer in accordance with the law.
- VIII. Right-of-use assets
- IX. Other major assets.

##### **Article 4: Definition of terms**

- I. The term "Derivative Products" means forward contracts, options, futures, leverage contracts, or swaps, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests, and the hybrid contracts consisted of the above products. 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 of through mergers, spin-offs, acquisitions, or transfers of

shares in accordance with the law refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or transfer of shares from another company through the issuance of new shares of its own as the consideration ( "Share Transfer") under Article 156-3 of the Company Act.

- III. The term "related party" and "subsidiaries" as used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. The term "professional appraisal" as used in these procedures, means a certified appraiser or a company in the business of appraising real estate or other fixed assets.
- V. The term "date of occurrence" refers to the date of contract signing, date of payment, date of entrusted transaction, date of transfer, dates of Board of Directors' resolutions, or other dates that can confirm the counterparty 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. "Investments in China" refers to the investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area by the Investment Commission of the Ministry of Economic Affairs, R.O.C.
- VII. "Within the preceding year" refers to the year preceding date of current acquisition or disposal of assets. Items duly announced need not be counted toward the transaction amount.
- VIII. "Most recent financial statement" refers to the financial statements that have been publicly verified or audited by a CPA prior to the Company's asset acquisition or disposal.
- IX. "Investment professional" 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.
- X. Stock Exchange: Domestic stock exchange refers to Taiwan Stock Exchange Corporation; foreign stock exchange refers to any securities transaction market that is regulated by competent authorities of the jurisdiction where they are located.
- XI. 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.

The followings are the limits on the above assets that the Company and its subsidiaries acquire individually:

- I. For real estate not for business use, the total amount shall not exceed 50% of the net value.
- II. The total investment in long-term and short-term marketable securities shall not exceed 150% of the paid-in capital or 100% of the net value of the most recent financial statements, whichever is higher. However, it may not be included in the calculation of the total amount of short-term securities if the investment subject is a bond fund. The aforementioned "net value" is based on the net value of the most recent financial statement at the time of the investment.
- III. Investments on individual marketable securities shall not exceed 100% of the paid-in capital in the latest financial statements.

Article 6: Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports or opinions shall meet the following requirements:

- I. They have not previously received a final and non-appealable sentence of imprisonment for one year or more for a violation of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Company Act, Banking Act, Insurance Act, Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery, or occupational crime. However, this provision does not apply if three years have passed since the completion of the sentence, expiration of the term of probation, or grant of a pardon.
- II. They shall 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, such professional appraisers or appraisal officers shall not be related parties or de facto related parties of each other. The professionals referred to in the preceding paragraph shall comply with the following provisions when preparing and issuing an appraisal report or opinion letter:
  - (I) Prior to accepting an assignment, they shall carefully evaluate their own professional capabilities, practice experience, and independence.
  - (II) When working on an assignment, they shall adopt and implement adequate operating procedures in formulating a conclusion and use the conclusion as the basis for issuing the report or opinion letter. The procedures implemented, data collected, and conclusion reached shall be fully and accurately recorded in the working papers.
  - (III) They shall conduct an item-by-item evaluation on the completeness, accuracy, and reasonableness of the sources of data, parameters, and information used as the basis of the appraisal report or opinion letter.
  - (IV) They shall issue a statement attesting to the professional competence and independence of the personnel who are involved in the preparation and issuance of

the report or opinion letter, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 7: The acquisition or disposal of real estate and other fixed assets:

I. Terms of transaction and degree of authority delegated:

- (I) For acquisition or disposal of property by the Company, the announcement current value, assessed value, actual transaction price of adjacent property, transaction conditions and price through resolution shall be referred to supervisors at all levels. Acquisition or disposal of equipment or the right-of-use assets shall be carried out in one of the following means, namely inquiry, consideration, bargaining, or tendering.
- (II) The Company's acquisition or disposal of real estate, equipment, or right-of-use assets thereof with a transaction amount of below NT\$10 million (inclusive) shall be submitted for approval in accordance with the authorization approval table; where the transaction amount exceeds NT\$10 million, the approval of the general manager and chairman of the board shall be required, and submit to the Board of Directors.
- (III) In the case of the Company's acquisition or disposal of assets has to be approved by the Board according to this procedure or the prescription of other laws, if a director shows dissent and the dissent is recorded or presented in a written statement, the dissent of the director should be submitted to the Audit Committee. In addition, where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when the acquisition or disposal of assets transactions is reported to the Board of Directors for discussion in accordance with regulations. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Any transaction involving major assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The aforementioned terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

II. Implementation units

For acquisition or disposal of real property, equipment or its right-of-use assets by the Company, departments using the said items and management office shall be responsible

for execution thereof after it is approved and resolved based on the approval and resolution authority.

III. Valuation report of real estate, equipment, or its right-of-use assets

In the event of the Company's acquisition or disposal of real property, equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, except for the transactions with domestic government agencies, engaging others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, the Company shall obtain an appraisal report from a professional appraiser and shall comply with the following provisions.

- (I) Due to special circumstances, where a limited price, specified price or special price is deemed as the basis of reference for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (II) In the event that the transaction amount is NT\$1 billion or more, the Company shall obtain appraisals from two or more professional appraisers.
- (III) In the event that the appraisal results of the professional appraisers encounter any of the following circumstances, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statements of Auditing Standards No. 20 published by Accounting Research and Development Foundation:
  - 1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) If the contract is appraised before execution, the appraisal report should be issued within three months before the contract date. However, where the publicly announced current value for the same period is used and not more than six months have elapsed, the original professional appraiser may still issue an opinion.
- (V) Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the real estate equipment, and right-of-use assets are acquired or disposed of through court auction.

Article 8: Procedures for acquisition or disposal of marketable securities

I. Terms of transaction and degree of authority delegated:

- (I) For negotiable securities transaction conducted at a centralized trading market or securities dealers shall be determined by the responsible unit based on market conditions; for negotiable securities transaction conducted at a non-centralized



trading market or securities dealers, the most recent financial statement of the target company that has been verified by a CPA or reviewed by the CPA shall be taken as a reference for evaluating the transaction price, with consideration given to net value per share, profitability and future development potential. Its acquisition and punishment are all signed in accordance with the "Approval Authorization Form" of the Company.

- (II) In the case of the Company's acquisition or disposal of assets has to be approved by the Board according to this procedure or the prescription of other laws, if a director shows dissent and the dissent is recorded or presented in a written statement, the dissent of the director should be submitted to the Audit Committee. In addition, where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when the acquisition or disposal of assets transactions is reported to the Board of Directors for discussion in accordance with regulations. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Any transaction involving major assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The aforementioned terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

## II. Implementation units

Investment in marketable securities of the Company shall be implemented by the financial unit upon the approval pursuant to the preceding delegation of authority.

## III. Obtaining expert opinions

- (I) In acquiring or disposing of securities, the Company shall seek for CPA's opinion on the fairness of the transaction price for transactions exceeding 20% of the Company's paid-in capital or NT\$300 million and contain the below conditions. (However, it is not applicable if the securities have a public quotation in an active market or otherwise stipulated by the FSC):
1. Acquire or dispose of securities not purchased in securities exchanges or OTC venues.
  2. Acquiring or disposing of privately placed securities.
- (II) Court documents can be substituted for reports or opinions issued by a CPA or

certified appraiser if the Company acquires or disposes of securities through court auction procedures.

Article 9: Handling procedures for acquiring real estate or right-of-use assets from related parties

I. Where the Company acquires real estate or its right-of-use assets by purchasing or exchanging from related parties, in addition to compliance with Article 7 herein, the related resolution procedures and reasonableness assessment of the transaction shall be carried out in accordance with the following provisions. When the Company determines if the counterparty of the transaction is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Appraisal and procedures

When the Company acquires real estate or right-of-use assets thereof from a related party, the Company shall submit the following materials to the Board of Directors for approval and recognition by the Audit Committee:

- (I) The purpose, necessity, and anticipated benefit of the acquisition or disposal of real estate or its right-of-use assets.
- (II) The reasons for choosing the related party as a trading counterparty.
- (III) Information such as the date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's and that trading counterparty's relationship to the Company and the related party;
- (IV) Materials about the reasonableness of the predetermined trading conditions assessed in accordance with the provisions of Subparagraphs (I) and (III), Paragraph 3 of this Article.
- (V) Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the fund's utilization.
- (VI) The restrictive terms of this transaction and other important agreements in connection with the transaction.

In addition, where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when the acquisition or disposal of assets transactions is reported to the Board of Directors for discussion in accordance with regulations. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting. Matters for which this Article requires ratification by the Audit Committee shall first be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be

recorded in the minutes of the Board of Directors meeting.

III. Evaluation of the reasonableness of transaction cost

- (I) In acquiring real estate from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:
  - 1. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 2. In the event that the related party previously created a mortgage on the real property as security for a loan from a financial institution, the total loan value evaluated by the financial institution towards the real property; provided, however, that the actual cumulative amount loaned by the financial institution shall have reached 70% or more of the financial institution's evaluated loan value of the real property, and the period of the loan shall have been one year or more. This shall not apply if the financial institution is a related party of one of the trading counterparties.
- (II) Where land and structures are combined as a single property purchased 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.
- (III) When acquiring real property or the right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or the right-of-use assets thereof in accordance with Subparagraphs (I) and (II), Paragraph 3 of this Article. The Company shall also engage a CPA to verify and provide an opinion on the appraisal.
- (IV) Where the Company acquires real estate or its right-of-use assets from a related party, in the event that the results of the appraisal conducted in accordance with Subparagraphs (I) and (II), Paragraph 3 of this Article are uniformly lower than the transaction price, the Company shall carry out the acquisition in accordance with Subparagraph (V), Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
  - 1. Where the related party acquired undeveloped land or leased land for development, proof of compliance may be submitted with one of the following conditions:
    - (1) Where undeveloped lands are evaluated in accordance with the preceding Article and where buildings are evaluated according to the related party's

construction costs plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be the average gross operating profit margin of the related party's construction division over the most recent three 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.

- (2) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar after the calculation of reasonable price discrepancies in-floor or area in accordance with standard property sales or leasing market practices.
  - (3) Leasing cases of other unrelated people on other floors of the same subject premises within one year, according to the real estate leasing practice, where the land area and the transaction terms are similar after the calculation of reasonable price discrepancies in-floor or area in accordance with standard property sales or leasing market practices.
2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of similar size by unrelated parties within the preceding year. The term "transactions for the acquisition of neighboring land" in the preceding paragraph refers to the land on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the published value of the land is close to that of the subject matter; the term "similar land area" refers to transactions by unrelated parties where the land area is not less than 50% of the land area of the transaction's subject matter. The term "within the preceding year" refers to the year preceding the date of the acquisition of the real property or right-of-use assets thereof.
- (V) Where the Company acquires real property from a related party, in the event that the results of the appraisal conducted in accordance with Subparagraph (I) and (II), Paragraph 3 of the Article are lower than the transaction price in all cases, the Company shall take the following steps: Where the Company and the public offering company that uses the equity method to evaluate the Company's investment are subject to the aforementioned provisions to set a special surplus reserve, the Company shall not utilize the special reserve until it has recognized a loss or decline in the market value of the assets it purchased at a premium, or they have been disposed of, 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.

1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price of real property or right-of-use assets thereof and the evaluated costs, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve required by law shall be set aside pro-rata to the shareholding in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act.
  2. Audit Committee shall comply with Article 218 of the Company Act.
  3. Actions that have been taken in accordance with Items 1 and 2, Subparagraph (V), Paragraph 3 of this Article shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report as well as the prospectus.
- (VI) Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with provisions prescribed in Paragraphs 1 and 2 of this Article, and Subparagraphs (I), (II), and (III), Paragraph 3 of this Article does not apply:
1. The related party acquired the real property by inheritance or as a gift.
  2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
  3. The real estate is acquired through signing of a joint development contract with the related party.
  4. The real property right-of-use assets for business use are acquired by the Company from/to its parent or subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital.
- (VII) Where the Company obtains real property from a related party, it shall also comply with Subparagraph (V), Paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arms-length transaction.

Article 10: Acquisition or disposal of membership, intangible assets, or its right-of-use assets:

I. Terms of transaction and degree of authority delegated:

- (I) Acquiring or disposing of membership, intangible assets, or its right-of-use assets shall refer to the fair market price, determine the transaction conditions and transaction prices, prepare an analysis report and submit it to the general manager. It can only be done after signing the approval in accordance with the Company's "Approval Authorization Form".
- (II) In the case of the Company's acquisition or disposal of assets has to be approved by

the Board according to this procedure or the prescription of other laws, if a director shows dissent and the dissent is recorded or presented in a written statement, the dissent of the director should be submitted to the Audit Committee. Where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when the acquisition or disposal of assets transactions is reported to the Board of Directors for discussion in accordance with regulations. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Any transaction involving major assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The aforementioned terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

- II. When the executive unit the Company acquires or disposes of membership, intangible assets, or its right-of-use assets, it shall be executed by the finance and accounting management office, user department and relevant authorities and responsible departments after the approval according to the aforementioned jurisdiction.
- III. If the transaction amount of the Company's acquisition or disposal of membership, intangible assets, or the right-of-use assets is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. In addition, where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when the acquisition or disposal of assets transactions is reported to the Board of Directors for discussion in accordance with regulations. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

**Article 11: Procedures for acquisition or disposal of financial institutions' claims**

In principle, the Company does not engage in transactions for obtaining or disposing of creditor's rights of financial institutions. In the event that the Company intends to engage in a transaction with acquisition or disposal of financial institution claims, the Company shall report and obtain approval from the Board of Directors, and formulation of the appropriate procedure

shall follow.

Article 12: Procedures for acquisition or disposal of derivative products

I. Principles and guidelines for the transaction

(I) Types of derivatives products

1. "Derivatives" refers to the transaction contracts (such as forward contracts, options, futures, interest rates, exchange rates, swap, and complicate contracts from a combination of them), of which the values are derived from assets, interests, exchange rates, index, or any other similar commodities.
2. Matters relating to bond margin trading shall be handled in accordance with the relevant provisions of this procedure. The provisions of this processing procedure shall not apply to the bond transactions with the buyback conditions.

(II) Operating (hedging) strategies

The Company engages in derivative financial products trading solely for hedging purposes. The trading commodities should be selected to avoid the risks arising from the business operations of the Company. The currency held must match the foreign currency demand of the Company's actual import and export transactions. The Company's overall internal position (only foreign currency income and expenses) is self-leveling, in order to reduce the Company's overall foreign exchange risk and save foreign exchange operating costs. Transactions with other specific purposes may be conducted only after they have been prudently evaluated, and been submitted to and approved by the Board of Directors.

(III) Segregation of duties

1. The trading unit is the Finance and Accounting Management Office; it is responsible for collecting relevant information, researching the market's future capital trends, formulating various trading strategies, and reporting it to the general manager first, then executing various transactions after being approved by the Board of Directors on a case by case basis.
2. The cashier is responsible for dispatching funds and executing delivery operations.
3. Accounting personnel are responsible for accounting affairs and are responsible for the confirmation of transaction content, the assessment of profit and loss, and the disposal of accounting affairs.
4. Personnel shall not concurrently deal with transactions, settlement and accounting.
5. The announcement unit is the accounting unit; it is responsible for regular announcements and declarations of various information on derivative products engaged in by the Company and its subsidiaries in accordance with the regulations of the FSC.

(IV) Derivatives and authorization method

The Company's authorization and undertaking for derivative commodity transactions shall be reviewed based on the transaction unit on a case-by-case before being reported to the general manager and approved by the Board of Directors.

Any transaction involving derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The aforementioned terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

(V) Total transaction limit

Within the amount authorized by the Board of Directors, the total amount of derivatives trading contracts entered into by the Corporation does not exceed, in principle, the Corporation's foreign currency requirements for six months. If there are special needs, it must be approved by the general manager and approved by the Board of Directors before trading.

(VI) Performance evaluation guidelines

1. Determine the profit and loss target based on the size of the derivative product position, and review it regularly.
2. The performance evaluation should be compared to a pre-set assessment benchmark on the assessment date as a reference for future decisions.

(VII) Upper limit of loss

Please see the following for overall and individual contractual upper loss limits:

1. Hedging transaction:  
Such transactions are undertaken based on the Company's actual needs. Relevant risks are controlled from prior evaluations; hence, there are no problems associated with the stop-loss limit.
2. Specific purpose transactions  
The "operation team" conducts transactions within the authorized limit. After the derivative product position is established, a stop-loss point shall be set to prevent excess loss. The stop-loss point is limited to no more than 5% of the price of the transaction contract amount.

II. Risk management measures:

(I) Credit risk management:

The counterparty must be a bank, financial institution, or its domestic and foreign branches approved by the Company.

(II) Market risk management:



Mainly engaged in hedging transactions.

(III) Liquidity risk management:

Truly control and restrict cash flow to prevent failure to perform due to insufficient cash.

(IV) Operating risk management

Comply with the division of powers and responsibilities, work out the function of cross-checking, and ensure that all transactions are properly authorized.

(V) Legal risk management:

All transaction contracts with counterparties shall be reviewed by legal consultants before being formally signed in order to avoid legal risks.

III. Periodic assessments

(I) The financial supervisor shall regularly submit the evaluation report or content of derivative products to the Board of Directors gradually.

(II) The financial supervisor shall comply with the rules for the implementation of internal control, pay attention to the supervision and control of risks arising from derivatives trading at all times. The finance supervisor shall also make periodic evaluations on whether the performance of the transaction complies with the existing business strategies and whether the risks undertaken fall within the tolerable scope.

(III) The finance supervisor shall make periodic evaluations of whether the existing risk management procedures are properly and realistically carried out in accordance with the Procedures.

(IV) The position of derivative products generated by financial exchanges is evaluated once a week, and the hedging transactions conducted due to business needs are evaluated once every two weeks.

(V) When there is an abnormal situation in the market value evaluation report, the financial supervisor shall respond immediately and take necessary countermeasures.

IV. Internal audit system

The internal auditors of the Company shall periodically look into the appropriateness of the internal control over derivatives products and analyze the transaction cycle of how faithfully derivatives trading by the trading department adheres to these Procedures, and prepare an audit report. Where a material violation is found, the Audit Committee shall be informed in writing.

V. Where the Company engaging in derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:

(I) The senior management designated by the Company's Board of Directors shall pay attention to the supervision and control of derivative transaction risks at all times, and the management principles are as follows:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Regulations and

- these Procedures for engaging in derivatives trading formulated by the Company.
2. Supervise the transaction and loss/benefit status, take necessary measures in response to irregular situations, and report to the Board of Directors immediately. If the Company has established independent directors, the Board of Directors shall have independent directors present and express their opinions.
- (II) Evaluate whether the performance of the derivative transactions is consistent with the Company's current operational strategies and whether the risks the Company bears are under the tolerable level by the Company.
- (III) When engaging in derivative transactions, the Company shall prepare a logbook, in which the derivative transaction types, amounts, the Board of Directors' approval dates, periodic evaluation reports, and items to be evaluated regularly in accordance with Paragraph 3 of this Article. The details shall be recorded for future reference. In addition, where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when the acquisition or disposal of assets transactions is reported to the Board of Directors for discussion in accordance with regulations. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Article 13: Procedures for Merger, Spin-off, Acquisition or Share Transfer

I. Price-setting method and references

In handling mergers, spin-offs, acquisitions, or share transfer, the Company shall take the past and future financial and business conditions of the participating companies, anticipated future benefits, the market-based fair value of the transaction price into consideration, and the Company shall engage a CPA, attorney, or securities underwriter's professional opinion. The Company shall negotiate the transaction price with the participating company in mergers, splits, acquisitions, and assignment of shares.

II. The committee invited experts to issue opinions

When the Company participates in merger, spin-off, acquisition or share transfer, the Company shall, prior to convening the Board of Directors to resolve the relevant matters, engage a certified public accountant, an attorney or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors for deliberation and resolution. However, the Company is not required to obtain the aforesaid professional's opinion on the reasonableness of the transaction in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, or 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.

### III. Level of decision-making

The Company shall handle all decisions pertaining to mergers, spin-offs, acquisitions, or share transfer in accordance with the Company Act and relevant regulations.

### IV. Submission of relevant information cum information disclosure when a resolution cannot be obtained from the shareholders' meeting

- (I) The Company participating in a merger, spin-off or acquisition shall prepare a public report to shareholders detailing important contractual content and relevant matters prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders' meeting invitation for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.
- (II) Where the shareholders' meeting of any one of the companies, participating in a merger, spin-off, or acquisition, fails to convene or pass a resolution due to inadequate quorum, insufficient votes, or other legal restriction, or the proposal is vetoed by the shareholders' meeting, the companies participating in the merger, spin-off or acquisition shall immediately make a public statement on the reasons, the follow-up measures, and the preliminary date of the next shareholders' meeting.

### V. Date of convening the Board of Directors meeting and shareholders' meeting

- (I) When the Company performs mergers, spin-offs, or acquisitions, unless otherwise stipulated by other laws or subject to special factors that have been approved by the FSC in advance, the Board of Directors and shareholders' meeting shall be held on the same day as the Company participating in the merger, spin-off or acquisition to resolve matters related to the merger, spin-off or acquisition.

When the Company participates in mergers, spin-offs, acquisitions, or share transfer, it shall prepare a complete written record including the following information and preserve the record for five years for reference:

1. Basic information of the personnel: Including the titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning of any merger, spin-off, acquisition, or transfer of another company's shares or the implementation of the plan prior to the disclosure of such information.
2. Dates of material events: Including the dates of executing the letter of intent or memorandum of understanding, engaging a financial or legal advisor, executing the contract and convening the Board of Directors' meeting.
3. Material documents and minutes: Including documents for merger, spin-off,

acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

When participating in mergers, spin-offs, acquisitions, or share transfer, the Company listed on the Taiwan Stock Exchange or the Taipei Exchange shall, within two days commencing from the date of the resolution adopted at the Board of Directors' meeting, report to the competent authority the documents prepared in accordance with subparagraph I and II of the preceding paragraph in the prescribed format and via the information system on the internet.

In the event that any of the companies participating in the merger, spin-off, acquisition or share transfer is not a company listed on the Taiwan Stock Exchange or the Taipei Exchange, the Company listed on the Taiwan Stock Exchange or the Taipei Exchange shall execute an agreement with such a company and comply with the regulations under Paragraphs 3 and 4.

- (II) Where the Company performs the transfer of shares, unless otherwise prescribed by law or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent, the Company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction.

#### VI. Confidentiality agreement and prevention of insider trading

Each and every person participating in or possessing knowledge of the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to the 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, spin-off, acquisition, or transfer of shares.

#### VII. Policy regarding changes to stock exchange or acquisition price

Where the Company participates in a merger, spin-off, acquisition, or transfer of shares shall not arbitrarily alter the share exchange ratio or acquisition price unless under any of the circumstances enumerated below, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

- (I) Increase of cash capital, and issuance of convertible corporate bonds, bonus shares, corporate bonds with stock warrants, preferred stock with stock warrants, certificates of stock options, and other securities with the nature of equity.
- (II) An action, such as disposal of major assets, that affects the Company's financial operations.
- (III) An event, such as major disasters or major evolution in technology, that affects shareholders' equity or the price of securities.
- (IV) An adjustment where any of the companies participating in mergers, spin-offs,

acquisitions or share transfer buys back the treasury stocks in accordance with the laws.

(V) An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition or share transfer.

(VI) Other terms and conditions that the contract stipulates may be amended and that have been publicly disclosed.

VIII. Content to be disclosed in the contract:

A contract for participation by the Company in a merger, spin-off, acquisition, or shares transfer shall expressly record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and also record the matters enumerated below:

(I) Handling of breach of contract.

(II) Principles for handling equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is spin-off.

(III) The amount and principles of the purchase of treasury stocks in accordance with the laws after the date of the participating companies' calculation of the share exchange ratio.

(IV) Procedures for handling the increase or decrease in the number of participating entities or companies.

(V) The estimated progress of the plan and estimated completion date.

(VI) If the plan is not completed within the scheduled time frame, the scheduled date for convening the legally mandated shareholders' meeting and the relevant procedures.

IX. After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or share transfer intends to further carry out a merger, spin-off, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except where the number of participating companies is decreased and a participating company's shareholders' meeting has resolved a decision authorizing the Board of Directors to alter the limits of authority. Such a participating company may be exempted from calling another shareholders' meeting to resolve the matter anew.

X. Where any of the companies participating in the merger, spin-off, acquisitions or share transfer is not a public company, the Company shall enter into an agreement with such a non-public company and shall comply with the provisions of Paragraphs 5, 6, and 9 of this Article.

Article 14: Announcement Procedures:

- I. For acquisition or disposal of assets, provided that one of the following conditions exists, the Company shall publicly announce and file the relevant data and information to the Financial Supervisory Commission's designated Market Observation Post System, or MOPS in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:
- (I) Acquire or dispose of real estate or its right-of-use assets from related parties.
  - (II) Invest in Mainland China area.
  - (III) Merger, spin-off, acquisition or share transfer.
  - (IV) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.
  - (V) Where an asset transaction other than the preceding 4 Subparagraphs or disposition of creditor's rights by financial institutions, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
    - 1. Trading of domestic government bonds.
    - 2. Transaction of negotiable securities at domestic and foreign stock exchanges or securities dealers as professional investments.
    - 3. Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
    - 4. Where the type of asset acquired or disposed of is equipment or right-of-use assets for business use, the counterparty is not a related party, and the transaction amount reaches the following standards:
      - a. For a public company whose paid-in capital is less than NT\$10 billion, and the transaction amount is less than NT\$500 million.
      - b. For a public company whose paid-in capital is NT\$10 billion or more, and the transaction amount is less than NT\$1 billion.
    - 5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, the counterparty is not a related party, and the amount the Company expects to invest in the transaction is less than NT\$500 million.
  - (VI) The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of the acquisitions or disposals of the same type of assets with the same counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

- II. The Company shall compile monthly reports on the status of derivative transactions engaged in up to the end of the preceding month by itself and the subsidiary which are not domestic public companies and upload the information in the format prescribed in the appendix hereto, by the 10th of each month, onto the information filing website designated by the FSC.
- III. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to be corrected, all the items shall be again publicly announced within two days and reported in their entirety.
- IV. Unless otherwise provided for by other laws, the Company engaging in the acquisition or disposal of assets shall retain the relevant contracts, meeting minutes, registry, appraisal report, and the opinion books by CPA, attorneys, and security underwriters at the Company for at least five years.
- V. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the MOPS designed by the FSC within two days commencing immediately 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, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

Article 15: The Company's subsidiaries shall take actions in accordance with the following provisions:

- I. The subsidiary shall also establish Procedures for Acquisition or Disposal of Assets in

accordance with the regulations of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

- II. Information required to be publicly announced and reported in accordance with the provisions of Article 14 on acquisitions and disposals of assets by the Company's subsidiary that is not a domestic public company shall be reported by the Company. In accordance with the subsidiary's standards for public announcements and reporting, "20 percent or more of the Company's paid-in capital", as used herein, shall be based on the Company's paid-in capital.

#### Article 16: Penalty

Where the Company's relevant personnel conducting the acquisition or disposal of assets violates the ROC's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the Company's "Procedures for the Acquisition or Disposal of Assets", such personnel shall be reported for assessment according to the Company's human resource management regulations and shall be punished depending on the gravity of circumstances.

#### Article 17: Supplementaries

In the case that this Procedure is incomplete, all procedures shall be in accordance with related Articles of Securities and Exchange Act.

#### Article 18: Enactment and amendment

After the Company's "Procedures for Acquisition or Disposal of Assets" has been approved by the Board of Directors, it is sent to the Audit Committee and submitted to the shareholders' meeting for approval, and the same shall apply to any amendment thereto. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee. Where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when submitting the "Procedures for Acquisition or Disposal of Assets" to the Board of Directors for discussion. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.



## **[Appendix V]**

### **Medigen Vaccine Biologics Corp.**

#### **The Procedures for Loaning of Company Funds**

##### **Article 1: Purpose**

When the Company needs to lend funds to others in accordance with the actual needs of its operations, the processing procedures for the loans and operations shall be handled in accordance with the provisions of this operating procedure. In the case that this Procedure is incomplete, all procedures shall be in accordance with related Articles of Securities and Exchange Act.

##### **Article 2: Legal basis**

These Procedures are established in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies established by the Financial Supervisory Commission (the FSC).

##### **Article 3: Parties of loaning funds**

The Company may lend funds to the following companies:

- I. A company with which it does business.
- II. Corporations or companies necessary for short-term financing with the Company.

The term "short-term" referred to in the preceding paragraph shall mean one year or one operating cycle (whichever is longer).

##### **Article 4: Reason and necessity of capital loan to other person**

- I. Where funds are lent between the Company and another company or firm for reasons of business dealings, the regulations prescribed in Paragraph 1, Article 5 shall apply.
- II. Where the Company lends funds to another company or firm which is identified to have a need of short-term financing, subject to the following circumstances:
  - (I) A company holding more than 20% of the Company's shares with the necessity for short-term financing due to business needs.
  - (II) Other companies or firms with the necessity of short-term financing due to material purchase or operating turnover.
  - (III) Other loans to others approved by the Board of Directors of the Company.

##### **Article 5: Capital loans and total amount and individual object limits**

The accumulated total of loans granted shall not exceed 40% of the net worth of the Company. It can be divided into the following two situations:

- I. Where fund is loaned to a company or sole proprietorship and partnership with business dealings with the Company, the total amount of the funds shall not exceed 20% of the net worth of the Company; the amount of each fund shall not exceed the amount of business transactions between both parties in the most recent year. The amount of business transactions means the purchase amount or sales amount between the two parties,

whichever is higher.

- II. For capital loans and companies or line numbers necessary for short-term financing, the loan and total amount shall not exceed 20% of the Company's net value; individual loans and amounts shall not exceed 10% of the Company's net value.

This restriction shall not apply to the loaning funds made between companies where the Company holds, directly or indirectly, 100% of the voting shares.

#### Article 6: Duration of loans and calculation of interest

- I. In principle, the duration of each fund loaned shall not exceed one year or one business cycle (whichever is longer) from the date of the fund granted, and may only be extended one year or one business cycle with the approval of the Board of Directors via resolution.
- II. The interest of the fund loaned is calculated on a daily basis; the sum of the daily loan balance (i.e., the total amount) is multiplied by its annual interest rate before divided by 365 as the amount of interest. The annual interest rate shall not be lower than the minimum interest rate for short-term loans of financial institutions.
- III. The calculation and collection of loan interest are based on the principle of paying interest once a month. It may be adjusted according to the actual situation with the consent of the Board of Directors.

#### Article 7: Handling and review procedures

- I. Application procedures
  - (I) The borrower shall provide basic information and financial information, and fill in an application form, describing the use of the funds, the period of the loan and the amount, and then submit it to the Finance Office of the Company.
  - (II) Where the loan was extended due to business relations, the financial office of the Company shall assess whether the loan amount is adequate for the amount of the business between the parties; if short-term financing is necessary, the reasons and circumstances that such loans may be extended shall be listed and a credit investigation shall be conducted, relevant information and drafted terms of loan shall be reported to the management of the financial office and the general manager before being submitted to the Board of Directors for resolution.
  - (III) Fund loans between the Company and its subsidiaries, or between the Company's subsidiaries, shall be resolved by the Board of Directors, and the chairman shall be authorized to allocate loans in installments or cyclically use the same loan to a certain amount determined by the Board of Directors and within a period of no more than one year. The funds loaned by any of the Company's subsidiaries to any single entity shall not exceed 10% of the net worth on the most recent financial statements of the Company.
  - (IV) Where the Company has established the position of independent directors, when loaning funds to others, it shall take each independent director's opinions into full account, and the independent directors' opinions expressly stating assent or dissent

and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.

## II. Credit investigation

- (I) First-time Borrowers shall provide basic information and financial data to facilitate the credit investigation.
- (II) If the borrower continues to borrow, the credit investigation shall be re-processed in principle. If it is an important or urgent matter, it shall be handled at any time according to actual needs.
- (III) If the borrower's financial situation is good and has annual financial statements signed by the accountant for financing, the investigation report within one year could be used and the accountant's report in the same period will be checked for reference.
- (IV) When conducting a credit investigation on the borrower, the Company shall evaluate the impact of the loan on the Company's business operations, financial condition, and shareholders' equity.

## III. Loan approval and notification

- (I) After the credit investigation and evaluation, the Board of Directors decided not to lend the case, and the handling personnel should respond to the borrower as soon as possible.
- (II) After the credit investigation and assessment, the Board of Directors decides to approve the loaning case. The handling staff should inform the borrower as soon as possible, detailing the loan conditions of the Company, including the limit, duration, interest rate, collateral, and guarantor, etc., and ask the borrower to complete the signing procedures within the deadline.

## IV. Signing a contract

- (I) The loan agreement will be signed after the provisions drawn by the Company's person-in-charge are reviewed by supervisors and verified by legal advisers.
- (II) The provisions of a loan contract shall be consistent with the terms and conditions of the ratified loan. After the borrower and the guarantor sign in the loan contract, the responsible employee shall perform the identity verification.

## V. Evaluation of security value and setting of rights

The borrower shall provide these and complete the pledge or mortgage procedures. In addition, the Company shall assess the value of the collateral to ensure its rights.

## VI. Insurance

- (I) All collateral, except for land and securities, shall be covered by fire insurance and relevant insurances. In principle, the insured amount shall not be lower than the value of the pledged collateral. The Company shall be named as the beneficiary in the insurance policy. The name, quantity, storage location, insurance conditions and insurance endorsement on the insurance policy are consistent with the original loan

conditions of the Company.

- (II) The Company's person-in-charge shall notify the borrower to renew the insurance before it expires.

#### VII. Appropriation of Funds

The loan conditions are approved and signed by the borrower, and the guarantee quality (return) registration is completed. After all the procedures are verified, the funds can be allocated.

#### VIII. Repayment

Following loan appropriation, the Company shall frequently evaluate the financial, business and related credit conditions of the borrower and its guarantor. If collateral is provided, the Company shall be aware of the fluctuations in collateral's value. The Company shall notify the borrower one month prior to the due date to repay the principle and interest on time.

- (I) When a borrower repays loans upon maturity, interests accrued shall be computed first. After the interests and principal are paid off altogether, the Company may cancel certificates of the obligatory claim, such as promissory notes and certificate of indebtedness, and then return them to the borrower.
- (II) If a borrower applies for the cancellation of mortgage, the Company shall first check whether there is a loan balance and then decide whether to cancel or not.

Article 8: Subsequent control measures for loans and amounts and procedures for processing overdue claims

##### I. Extension

Before the loan date expires, the borrower shall be approved by the Board of Directors before the loan expiry date if necessary, and only one year or one business cycle (whichever is longer) can be extended.

##### II. Case registration and safekeeping

- (I) When handling fund loans and matters, the Company shall prepare a memorandum book, and record in detail the following information for the record: the entity for which the fund is lent, the amount, the date of passage by the Board of Directors or of authorization by the Chairman of the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under of the preceding article.
- (II) An employee in charge of handling loaning cases shall, after the loan is appropriated, organize certificates of the obligatory claim, such as certificates of indebtedness and promissory notes, and certificates of collateral, insurance policies and correspondences in an orderly fashion for the case conducted by himself/herself, place them in a safekeeping bag, mark the contents of goods under custody and the name of the client outside the bag, and then submit such to be inspected by the supervisor of the financial department. The bag shall be sealed

after an inspection and affixed with the seals of the employee in charge and the supervisor on the edge of the opening, and be kept under custody after an entry is recorded in the registry book for goods under custody.

- (III) The Company's internal auditors shall perform an audit on the Company's fund loan activities and the implementation at least quarterly and produce written records accordingly. In the event that a material violation is found, the internal audit shall immediately notify the Audit Committee in writing.
- (IV) If, as a result of changes of circumstances, the Company's loans and objects do not comply with the provisions of this standard or the balance exceeds the limit, the auditing unit shall urge the Finance and Accounting Management Office to set a time limit to recover the excess loan and funds, and adopt corrective plans and submit them to the Audit Committee and the proposed corrective actions should be implemented within the period specified in the plan.
- (V) The Company's person-in-charge shall prepare the details of the prior month's fund lending by the 5th of every month and submit it for review level-by-level.

Article 9: Procedures to control the loaning of funds by the subsidiaries

- I. Where the Company's subsidiaries intend to lend funds to others, such company shall also enact the procedures for making endorsements and guarantees and comply with these procedures; provided, however, the net value should be duly calculated based on the net value of the subsidiaries.
- II. The subsidiary shall prepare the books setting forth its loaning of funds in the past month before the 5th of each month and shall submit such books to the Company.
- III. The internal audit personnel of the subsidiary shall audit, at least once every quarter, the operating procedures for loaning of funds and the implementation status of these procedures, and shall prepare written records of it. In the event of any material breach of these procedures, the personnel shall promptly notify the Company's audit department in writing. The Company's audit department shall submit such written information to the Audit Committee.
- IV. When the Company's auditors conduct auditing in accordance with the annual auditing plan in the subsidiaries, the auditors shall also look into the implementation status of such company's procedures for loaning funds to others. In the event of any violations discovered therefrom, the auditors shall keep track of the rectification process, and prepare a tracking report to submit to the chairman.

Article 10: Announcement procedures:

- I. The Company shall announce before the 10th of each month to declare the funds loan and balance of the Company and its subsidiaries in the previous month.
- II. In the event that the lent funds amount reaches any of the following standards, the Company shall make the announcement and report within two (2) days from the Date of

Occurrence:

- (I) The aggregate balance of loans to others by the Company's subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - (II) The balance of loans by the subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
  - (III) The amount of new loans of funds by the subsidiaries reaches NT\$10 million or more and reaches 2% or more of the public offering company's net worth as stated in its latest financial statement.
- III. The Company shall announce and report on behalf of any subsidiary that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to Subparagraph 3 of the preceding paragraph.
- IV. The calculation of the portion of the fund loans and balance of the subsidiary in the preceding paragraph to the net value is calculated based on the ratio of the fund loan and balance of the subsidiary to the net value of the Company.
- V. "Date of occurrence" in these Procedures refers to the date of contract signing, date of payment, dates of Board of Directors' resolutions, or other dates that can confirm the counterparty of loan, endorsement or guarantee and monetary amount of the transaction, whichever date is earlier.

Article 11: Penalty

Where the Company's managers or personnel in charge violate the Procedures, the Company may assess such manager or personnel's performance in accordance with the Company's human resource regulations, and give proper penalties according to the seriousness of the violation.

Article 12: Enactment and amendment

- I. These Procedures have been submitted for approval by more than half of the Audit Committee and submitted to the Board of Directors for approval, then submitted to the shareholders' meeting for ratification.
- II. If the Company fails to obtain the approval of a majority of all members of the Audit Committee, such matters may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the Audit Committee shall be recorded in the meeting minutes of the Board.
- III. The terms "all Audit Committee members" in Subparagraph 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

**[Appendix VI]**

**Medigen Vaccine Biologics Corp.**

**Shares Ownership of Directors**

Book Closure Date: May 1, 2021

Position	Name	Date elected	Term	Shareholding while elected	Share ownership on book closure date
Chairman	Medigen Biotech Corp. Representative: Chang, Shih-Chung	2018.06.05	3 years	45,511,640	45,847,811
Director	Medigen Biotech Corp. Representative: Chang, Ken-Hu	2018.06.05	3 years	45,511,640	45,847,811
Vice Chairman	Schweitzer Biotech Company Ltd. Representative: Chen, Tsan-Chien	2018.06.05	3 years	5,940,000	7,049,560
Director	Chen, Wei-Zen	2020.06.30	3 years	6,075	6,698
Independent Director	Chang, Ming-Cheng	2018.06.05	3 years	-	-
Independent Director	Lin, Chia-Hsiu	2018.06.05	3 years	-	-
Independent Director	Li, Yao-Chi	2018.06.05	3 years	-	-
Share Ownership of All Directors				51,457,715	52,904,069

**Notes:**

1. As of the book closure date at the regular shareholders' meeting on May 1, 2021, the paid-in capital of the Company was NT\$2,124,770,000 and the number of shares issued was 212,477,000 shares.
2. As required under Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, all directors of the Company shall hold a minimum of 8,499,080 shares, and the number of shares held by all directors is 52,904,069 shares, which meets the standards set by the competent authority.
3. The Company has an Audit Committee established. Therefore, there is no application for the number of shares held by the supervisor.
4. In accordance with the provisions of Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if two or more independent directors are elected, the shareholding ratio calculated of all the directors other than independent directors shall be reduced to 80%.