

# LOTUS PHARMACEUTICAL CO., LTD

## RULES FOR ELECTION OF DIRETORS

[English translation for reference only]

Approved on 2020/06/30

1. Unless otherwise provided in the relevant laws or regulations or the Articles of Incorporation of the Company, the Directors of the Company shall be elected in accordance with these Rules.
2. The Directors of the Company shall be elected from the persons with capacity. The election shall be conducted in accordance with the candidate nomination system and procedures and held at the shareholders' meeting. The composition of the Board of Directors shall be determined by taking diversity into consideration and the Company shall formulate an appropriate policy on diversity based on the its business operations, types of operation, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:
  - I. Basic requirements and values: Gender, age, nationality, and culture, etc.
  - II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience, etc.

Each Board member shall have the necessary knowledge, skill, and experience to perform his/ her duties. The capability criteria shall include but not limit to the following:

- I. The ability to make judgments about operations.
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Leadership ability.
- VIII. Decision-making ability.

In the election of Directors of the Company, the cumulative voting method shall be used for election. Each share shall have voting rights equivalent to the number of seats to be elected, and such voting rights may be combined to vote for one person, or divided to vote for several persons.

The following relationships shall not exist among more than half or the Company's Directors:

- I. Spouse;
- II. A familial relationship within the second degree of kinship.

The Board of Directors of the Company shall consider adjusting its composition based on the results of performance evaluation.

3. At the beginning of the election, the chairman shall appoint persons each to check and record the ballots. The persons to check the ballots shall be appointed among the shareholders.
4. In election of Directors of the Company, the voting rights for Independent Directors and Non-independent Directors shall be separately calculated, and based on the voting rights for the number of seats set forth in the Articles of Incorporation of the Company, candidates who acquire more votes, based on the number of votes received, shall win the seats of Directors. If two or more persons acquire the same number of votes, such persons acquiring the same votes shall draw lots to decide who shall win the seats, and the chairman shall draw lots on behalf on the candidate who is not present.
5. The qualification of the Company's Independent Directors shall be in compliance with Article 2, 3 and 4 of "Rules Governing Establishment of Independent Directors for Public Companies".

The election of the Company's Independent Directors shall be in compliance with Article 5, 6, 7, 8, and 9 of "Rules Governing Establishment of Independent Directors for Public Companies" and Article 24 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies".

When the number of directors falls below the lower limit number of the directors prescribed in the Company's Articles of Incorporation due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next Shareholders Meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a special Shareholders Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the provision of Article 14-2, Paragraph 1 of the Securities and Exchange Act, or the related provisions

of the Taiwan Stock Exchange Corporation Rules Governing the Review of Listings, 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.

Among the seats of the Company's Directors, no less than two (2) seats and no less than one-fifth (1/5) of total seats of Directors shall be Independent Directors.

6. The Board of Directors shall prepare ballots for Directors numbered according to the number of Attendance Card with a note of number of voting rights, which shall then be distributed to the attending shareholders at the Shareholders Meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
7. If the candidate is a shareholder of the Company, voters shall fill in the candidate's name and the shareholder's number of the candidate in the "candidate" column. If the candidate is a government or corporate shareholder, the full name of the government or corporate shareholder or the name of government or corporate shareholder and the name of its representative shall be filled in the "candidate" column. If there are multiple representatives, the names of each respective representative shall be entered. If the candidate is not a shareholder of the Company, voters shall fill in the candidate's name and the candidate's ID number in the "candidate" column.
8. Ballots shall be deemed invalid in either one of the following conditions:
  - I. Ballots not prepared by the Board of Directors;
  - II. Blank ballots not completed by the voters and placed in the ballot box;
  - III. Illegible writing or being erased or changed;
  - IV. Ballots with other written characters or symbols in addition to candidate's name or shareholder's number (ID number) and the number of voting rights allotted;
  - V. The name of the candidates filled in the ballots being the same as another candidates name and respective shareholder's number (ID number) not indicated to distinguish them;
  - VI. If the candidate is a shareholder of the Company, the name or the shareholder's number of the candidate filled in the ballot inconsistent with the shareholder's register. If the candidate is not a shareholder of the Company, the name or ID

number of the candidate filled in the ballot is incorrect;

9. The ballots shall be calculated during the meeting right after the vote casting and the results of the election shall be announced by the chairman at the meeting. The ballots for the election referred shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Law of the Republic of China, the ballots shall be retained until the conclusion of the litigation.
10. Any other items not specified herein shall be conducted in accordance with the Company Law of the Republic of China and relevant regulations.
11. These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.