

Chung Hwa Pulp Corporation

Procedures for Merger and Consolidations, Splits, Acquisitions, and Assignment of Shares

(Ground)

Article 1 The handling procedures are established pursuant to the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

(Scope)

Article 2 Where the Company acquires or disposes of assets through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act or in accordance with other law, or transfer of shares from another company through issuance of new shares of its own under Article 156, paragraph 8 of the Company Act, provisions herein shall govern.

(Information to be recorded in contracts)

Article 3 The contract for the Company's participation in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall record the following:

- I. Handling of breach of contract.
- II. Principles for the handling of equity-type securities previously issued or treasury stocks previously bought back by any company that is extinguished in a merger or that is demerged.
- III. The amount of treasury stocks participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner of handling changes in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date.
- VI. Scheduled date for convening the legally mandated shareholder meeting if the plan exceeds the deadline without completion, and relevant procedures.

(Alteration in exchange ratio or acquisition price)

Article 4 The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- I. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- II. An action, such as a disposal of major assets, that affects the Company's financial operations.
- III. An event, such as a major disaster or major change in technology, that affects the Company's shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stocks.
- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(Handling Procedures)

Article 5 The procedures for the Company participating in a merger, demerger, acquisition, or transfer of shares are as follows:

I. Expert opinion:

When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders prior to the resolution of the Board meeting, and submit it to the Board meeting for discussion and passage.

Professional appraisers and their staff, certified public accounts, attorneys, and securities underwriters, and trading counterparties thereof, that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

II. Confidentiality

Every person participating in or privy to the Company's plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to 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, demerger, acquisition, or transfer of shares.

III. Convening of Board and shareholder meeting:

1. The Company participating in a merger, demerger, or acquisition shall convene a Board meeting and shareholder meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the securities competent authority is notified in advance of extraordinary circumstances and grants consent.
2. The Company's proposal to participate in a merger, demerger, acquisition, or transfer of shares shall be approved by more than half of all Audit Committee members and submitted to the Board for a resolution; if approval of more than half of all Audit Committee members is not obtained, the procedure 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 meeting. 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.

When the Board discusses matters pursuant to the preceding subparagraph, the opinion of each independent director shall be fully taken into consideration. If any director expresses objection or reserves his or her opinion, it shall be indicated in the Board meeting minutes.

3. The Company participating in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholder meeting and include it along with the expert opinion referred to in the preceding paragraph 1 when sending shareholders notification of the shareholder meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholder meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.
4. Where the shareholder meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution as a result of a lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholder meeting, the Company and businesses participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholder meeting.

IV. Entering into a contract:

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and proceed according to these Procedures.

V. Public announcement and filing:

When conducting a merger, demerger, acquisition, or transfer of shares, the handling division shall report to the financial and accounting division in the prescribed format according to the nature of the information; the later shall, publicly announce and report the relevant information on the securities competent authority's designated website.

Where at the time of public announcement an error or omission in an item required to be publicly announced is made and so is required to be corrected, all the items shall be again publicly announced and reported in their entirety within two days commencing immediately from the date of becoming aware of such fact, publicly announce and report the relevant information on the securities competent authority's designated website.

Where the merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date after public announcement and filing, a public report of relevant information shall be made on the information reporting website designated by the securities competent authority within two days commencing immediately from the date of occurrence of the event/

VI. After public disclosure of the information regarding this Company's participation in a merger, demerger, acquisition, or transfer of shares, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, 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, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholder meeting has adopted a resolution authorizing the Board to alter the limits of authority, such participating company may be exempted from calling another shareholder meeting to resolve on the matter anew.

VII. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five years for reference, and within two days commencing immediately from the date of passage of a resolution by the Board, report in the prescribed format via the Internet-based information system below the information set out in subparagraphs 1 and 2 to the securities competent authority for recordation.

1. Basic identification data for personnel: Includes the occupational titles, names, and national ID

numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

2. Dates of material events: Includes the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Important documents and minutes: Includes merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company pursuant to this paragraph.

(Date of occurrence)

Article 6 Date of occurrence in principle refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of Board resolution, or other date that can confirm the counterpart and monetary amount of the merger, demerger, acquisition, or transfer of shares, 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.

(Controls and information disclosure on subsidiaries)

Article 7 The Company's subsidiaries intending to engage in a merger, demerger, acquisition, or transfer of shares shall proceed according to these procedures in addition to following the procedures for merger, demerger, acquisition, or transfer of shares of that company. Information is required to be publicly announced and reported on a merger, demerger, acquisition, or transfer of shares by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company. The term "subsidiary" as used herein shall be defined pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(Penalties against negligent employees)

Article 8 Personnel violating these procedures when engaging in a merger, demerger, acquisition, or transfer of shares shall be subject to penalties.

(Data retention)

Article 9 The Company engaging in a merger, demerger, acquisition, or transfer of shares shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for five years except where another act provides otherwise.

(Supplementary provisions)

Article 10 When these procedures are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the Board for a resolution and shareholder meeting for approval; the same applies when these procedures are amended. 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. Any matter that has not been approved with the consent of one-half or more of the entire membership of the Audit Committee may be adopted with the consent of two-thirds or more of the entire Board of Directors, and the resolution of the Audit Committee shall be recorded in the Board of Directors meeting minutes.

All audit committee members and all directors as used herein shall be counted as the actual number of persons currently holding those positions.