

Chung Hwa Pulp Corporation

Corporate Governance Principles

Approved by the Board of Directors on November 8, 2018

Chapter I Formulation of Corporate Governance Principles and Sound Internal Management

Article 1 To promote sound development of the Company and to establish sound corporate governance systems, the Company has formulated the Corporate Governance Principles with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

These principles have been disclosed through the Market Observation Post System (MOPS).

Article 2 In addition to complying with relevant laws and regulations, TWSE listing regulations and the Articles of Incorporation, the Company shall follow the following principles:

- I. Protect shareholders' interests.
- II. Strengthen the functions of the board of directors.
- III. Exercise functions of independent directors.
- IV. Respect the rights and interests of stakeholders.
- V. Timely disclose governance-related information

Article 3 The Company, in accordance with Regulations Governing Establishment of Internal Control Systems by Public Companies, has designed an internal control system which has been fully implemented and properly reviewed to reflect the internal and external environment of the Company and to ensure the continued effectiveness of its design and implementation.

Amendment to the internal control system shall be approved by half and more of the audit committee before being proposed to the board of directors for approval. Dissenting or qualified opinion of independent directors shall be recorded in meeting minutes of the board of directors' meetings.

Assessments of effectiveness of the internal control system shall be approved by half and more of the audit committee before being proposed to the board of directors for approval.

In addition to self-assessments of the internal control system, the board of directors and management of the Company shall review the results of the self-assessments by each department and the reports of the internal audit department, which shall be supervised by the audit committee.

The management of the Company shall fully authorize the internal audit department and its personnel and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations so as to ensure that the operation of the system is continuously effective and to assist the board of directors and the management to duly perform their duties.

The Company has established communication channels and systems for the audit committee and internal audit managers. The internal audit department shall periodically review, track and improve problems found in the internal control system and provide reports to the audit committee and the board of directors.

The internal audit department and its personnel shall comply with codes of ethics for internal audit personnel to use and keep confidential of information obtained during audits and refrain from utilizing such information to gain personal interests, to violate laws and regulations and to harm the Company, board members and staff members in any form.

To enforce the internal control system and strengthen professional abilities of deputy audit personnel to improve quality and effectiveness of the audits, the Company has set up deputy systems.

Article 4 The Company shall designate at least one person to manage corporate governance affairs. The appointed person shall equip with at least three years of managerial experience in legal, financial, securities or related affairs.

The aforesaid person shall be responsible for following items:

- I. Handling corporate registration and amendment registration
- II. Arranging board meetings and shareholders' meetings in accordance with laws and regulations and assisting the Company with legal compliance.
- III. Producing minutes of board meetings and shareholders' meetings.

- IV. Furnishing directors and independent directors with information required for operating board affairs and the latest regulations and laws for managing corporate business, and assisting directors and independent directors with legal compliance.
- V. Related affairs concerning to the investor relations.
- VI. Other matters that are resolved by the Articles of Incorporation or the board of directors' meetings.

Article 5 The Company has established and announced channels for internal and external whistle-blowers and have had whistleblower protection mechanisms in place.

The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.

Chapter II Protection of Shareholders' Rights and Interests and the Shareholders' Meeting

Article 6 The Company shall protect shareholders' rights and interests and treat all shareholders equitably and ensure shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 7 The Company shall encourage its shareholders to actively participate in corporate governance and engage a professional shareholder services agent to handle shareholders' meeting matters, so that shareholders' meetings may proceed on a legal, effective and secure basis.

The Company ensures that shareholders exercise their rights in the shareholders' meeting through the following means:

- I. Allowing shareholders to cast votes in electronic form.
- II. Uploading meeting notices, agendas and supplementary information of shareholders' meetings in both Chinese and English prior to the convening of such meetings.

Article 8 The board meetings shall, pursuant to laws and regulations, arrange discussion items and proceedings of the meeting and reasonably protect shareholders' rights to attend, propose, speak and discuss at the meetings.

The shareholders' meeting held by the board of directors shall:

- I. Be chaired by the Chairman in person.
- II. Be attended by a majority of the board, including at least one independent director.
- III. Be attended by at least one person representing for each of the various functional committees.

Attendance details shall be recorded in the shareholders' meeting minutes.

The Company shall faithfully implement resolutions adopted by shareholders' meetings in accordance with rules for shareholders' meetings, and the resolutions shall comply with laws and regulations and the Articles of Incorporation.

Shareholders shall vote on each separate proposal in the shareholders' meeting agenda. The numbers of votes cast for and against and the number of abstentions shall be entered on the Market Observation Post System.

Shareholders' meetings shall be conducted based on the meeting agenda. Before all discussion items, including extempore motions, are resolved, the Chair shall not announce adjournment unless otherwise resolved by the meeting. In order to protect the interests of most shareholders, if the Chair, in violation of rules governing the proceedings of the shareholders meetings, declares the adjournment of the meeting, other board members shall promptly assist the shareholders present at the shareholders' meeting in electing a new Chair of the meeting to continue the proceedings of the meeting, by a resolution to be

adopted by a majority of the shareholders.

Article 9 The Company shall, in accordance with relevant laws and regulations, record in the shareholders' meeting minutes the date and place of the meeting, the name of the Chair, the proceeding and results of the meeting. With respect to the election of directors, the meeting minutes shall record the method of voting adopted and the total number of voting rights obtained by the directors elected.

The shareholders' meeting minutes shall be properly and permanently kept by the Company during its legal existence, and shall be sufficiently disclosed on the Company's website.

Article 10 The Company shall place high importance on shareholders' rights to know and shall faithfully comply with relevant regulations regarding information disclosure to provide shareholders with information on financial conditions, operations, insider shareholdings and corporate governance status through the MOPS or the Company's website in a timely manner.

To protect shareholders' rights and interests, the Company has established rules prohibiting company insiders from trading securities exploiting information not disclosed to the market.

Article 11 The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders' meeting may, pursuant to laws and regulations, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee and may resolve earning distribution or deficit off-setting plans.

The shareholders may apply with the court to select inspectors in examining the accounting records and assets of the Company.

The board of directors, audit committee and managerial persons of the Company shall fully cooperate in the examination conducted by the aforesaid inspectors without any circumvention, obstruction or rejection.

Article 12 Shareholders of the Company shall:

I. Follow regulations governing exercise of shareholders' rights and participation in resolution formulated by the Company to participate in shareholders' meetings and exercise their voting right with good faith and bear the greatest interests of all shareholders in mind.

II. Follow regulations and the Articles of Incorporation formulated by the Company with regard to nomination of directors. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

III. Exercise shareholders' rights and fulfill their duties in accordance with relevant laws and regulations and not intervene in policy-making or obstruct legal business activities of the Company.

Article 13 In order to protect the rights of the shareholders, the Company shall designate personnel to handle shareholders' proposals, inquiries and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholders' rights and interests are damaged by resolutions adopted at shareholders' meetings or board meetings in violation of applicable laws and regulations, or the Articles of Incorporation or that such damage is caused by a breach of applicable laws and regulations, or the Articles of Incorporation by any directors, and managerial persons in performing their duties.

Article 14 The board of directors shall enjoin the management team to establish a mechanism for interaction with shareholders to enhance mutual understanding of the development of the Company.

Article 15 Managerial persons of the Company shall fully disclose the concurrent posts they hold. In cases where the concurrent posts are in competition with business of the Company or affiliates, consent of the Company's Board of Directors shall be obtained.

- Article 16 The Company shall report the list of major shareholders who own more than 10 percent of all outstanding shares or assets and hold shareholdings that rank top ten in percentage on an annual basis.
- The Company shall regularly report any transfer of equity interests and/or pledge of or change in equity interests by the aforesaid major shareholders.

Chapter III Composition and Power of Board of Directors

- Article 17 The board of directors shall direct company strategies, supervise the management and be responsible to the Company and shareholders.
- The various procedures and arrangements of the Company's corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws and regulations, the Articles of Incorporation and the resolutions of shareholders' meetings.
- Article 18 The structure of the Company's board of directors shall be determined in consideration of its business scale, the shareholdings of its major shareholders and practical operational needs, and set an appropriate number of board members from nine to thirteen.
- Unless otherwise approved by the competent authority, a majority of the Company's directors shall have neither spousal relationships nor familial relationship within the second degree of kinship with other directors.
- The aggregate shareholding percentage of all of the directors of the Company's board of directors shall comply with laws and regulations. Restrictions on the share transfer of each director and the creation, release or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations; and relevant information shall be fully disclosed.
- Article 19 All members of the board shall have the knowledge, skills and experience necessary to perform their duties, such as:
- I. Ability to make operational judgments.
 - II. Ability to perform accounting and financial analysis.
 - III. Ability to conduct management administration, including management of subsidiaries.
 - IV. Ability to conduct crisis management.
 - V. Knowledge of the industry.
 - VI. An international market perspective.
 - VII. Leadership.
 - VIII. Ability to make policy decisions.
 - IX. Ability to conduct and knowledge of risk management.
- The composition of the board of directors shall be determined by taking diversity and applicable laws and regulations into consideration, such as:
- I. Percentage of managerial persons of the Company: It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members.
 - II. Basic requirements: Gender, age, etc. shall be diversified in certain level.
 - III. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience shall be diversified in certain level.
- Article 20 The Company adopts the candidate nomination system for elections of directors, which is specified in the Articles of Incorporation.
- The Company shall stipulate a fair, just and open procedure for the election of directors and adopt a cumulative voting mechanism pursuant to the laws and regulations to secure the rights and interests of the shareholders, encourage participation of shareholders and fully reflect the opinions of the shareholders.

Before submitting the list of candidates for directors, the board of directors shall carefully review the qualifications and education backgrounds and experiences of the nominated candidates recommended by shareholders and directors, verify the existence of any other matters set forth in Article 30 of the Company Act and evaluate the candidates' willingness to serve as directors if elected.

When the number of directors falls short by one-third of the total number prescribed by the Articles of Incorporation, the Company shall convene a special shareholders' meeting within 60 days of the occurrence of that fact for a by-election for directors.

Article 21 The Company shall appoint independent directors in accordance with the Articles of Incorporation, who shall be not less than three in number and not less than one-fifth of the total number of directors. In cases where the Chairman concurrently serves as the President of the Company, the number of seats of the Company's independent directors and directors not holding managerial posts of the Company shall comply with relevant laws and regulations.

Independent directors shall possess professional knowledge, and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties and may not have any direct or indirect interest in the Company.

The election of independent directors shall adopt the candidate nomination system, which shall be specified in the Articles of Incorporation. Shareholders shall elect the independent directors from the list of candidates for independent directors. The election of independent directors and non-independent directors shall be held together; however, the number of independent directors and non-independent directors elected shall be calculated separately.

In cases where the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial persons as a candidate for an independent director of the other, the Company shall, at the time it receives the nomination for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" as used in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment and other institutions or juristic persons that are effectively controlled by the Company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

When the number of independent directors falls short by the number prescribed by Paragraph 1 set forth herein or by the Articles of Incorporation, the Company shall hold a by-election at the next shareholder's meeting. When independent directors are all dismissed, the Company shall convene a special shareholders' meeting within 60 days of the occurrence of that fact for a by-election for independent directors.

Determination of professional qualification, restrictions on shareholdings and concurrent posts, evaluation of independence and nomination of independent directors shall be conducted in accordance with applicable laws and regulations.

Article 22 The Company shall empower independent directors with resources related to the exercise of their power. The Company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors. The Company or board members shall not restrict or obstruct the independent director in fulfilling their duties.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

Article 23 When a board meeting is convened to consider any matter shown as follows, the independent directors of

the Company shall attend the board meeting in person, and may not be represented by a non-independent director by proxy. When the independent directors have a dissenting or qualified opinion but cannot attend the board meeting in person, the opinion shall be provided in written prior to the board meeting unless there are justifiable reasons for failure to do so; the opinion submitted by such directors shall be noted in the minutes of the board of directors meeting.

- I. Adoption or amendment to the internal control system pursuant to the laws and regulations.
- II. Adoption or amendment to procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others pursuant to the laws and regulations.
- III. Matters regarding the personal interest of directors.
- IV. Transaction of material assets or derivatives.
- V. A material monetary loan, endorsement or provision of guarantee.
- VI. Offering, issuance or private placement of any equity-type securities.
- VII. Appointment, dismissal and compensation of CPAs.
- VIII. Appointment or dismissal of a financial, accounting or internal audit officer.
- IX. Any other material matters required by the competent authority.

Article 24 In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS before the beginning of trading hours on the first business day after the date of the board meeting:

- I. Independent directors have dissenting or qualified opinion which is on record or stated in a written statement.
- II. Matters that have not been passed by the audit committee, but have been adopted with the approval of two-thirds or more of all directors.

During a board meeting, managerial persons from relevant departments may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution; however, they shall leave the meeting when deliberation or voting takes place.

Article 25 To ensure that corporate governance matters proceed pursuant to relevant legal framework and the prescribed procedures, the Company engages a professional and competent legal counsel to provide adequate legal consultation services and to assist the directors, the supervisors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the Company or its staff.

When directors or the management are involved in litigation during business operation or are engaged in dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The audit committee or the independent directors may retain the service of legal counsel, a CPA or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Company.

Article 26 The board of directors shall meet at least once every quarter or convene at any time in case of emergency. The convening of the board meetings shall follow Rules and Procedures of Board of Director Meetings of the Company, which is formulated based on the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 27 The Company's directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal at a board meeting, the

director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the Rules and Procedures of Board of Director Meetings.

Article 28 Staff personnel of the Company attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall bear the signature or seal of both the meeting chair and the minutes taker and sent to each director within 20 days after the meeting. Attendance records of board meetings shall be made part of the meeting minutes, treated as important corporate records and kept safe permanently during the existence of the Company.

Meeting minutes may be produced, distributed and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a board meeting and preserve the recordings for at least five years, in electronic form or otherwise.

In cases where litigation arises with respect to resolutions adopted by board meetings before the end of the aforementioned preservation period, the relevant audio or video recordings shall be preserved for a further period as the preceding paragraph does not apply.

When board of directors meetings are held via teleconference or video conference, the audio or video recordings of the meetings form a part of the meeting minutes and shall be preserved permanently.

When resolutions of board meetings violate laws and regulations, the Articles of Incorporation or resolutions adopted in the shareholders' meetings, and thus causes an injury to the Company, directors who voiced dissenting opinions, which can be proven by minutes or written statements, will not be liable for the damages.

Article 29 The Company shall submit the following matters to its Board of Directors for discussion while subparagraphs 6 and 7 shall be proceeded pursuant to Article 36 of the rules set forth herein:

I. Corporate business plan.

II. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.

III. Adoption or amendment to an internal control system pursuant to the laws and regulations.

IV. Adoption or amendment, pursuant to laws and regulations, to the procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.

V. The offering, issuing or private placement of equity-type securities.

VI. The performance assessment and the standard of remuneration of the managerial persons.

VII. The structure and system of directors' remuneration.

VIII. The appointment or dismissal of a financial, accounting or internal audit officer.

IX. A donation to a related party or a major donation to a non-related party. However, donations intended for public interest for emergency relief of major natural disasters shall be ratified at the next board of directors meeting.

X. Any matter required by the laws and regulations or the Articles of Incorporation to be approved by resolution at shareholders' meetings or to be proposed at board of directors meetings or any such significant matter as may be prescribed by the competent authority.

Except for the aforementioned matters that must be submitted to the board of directors for discussion, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance

with laws and regulations or the Articles of Incorporation. However, the level of delegation and the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 30 Members of the board of directors shall faithfully perform their powers and duties with principles and attitudes of good faith, self-discipline and caution.

Resolutions adopted by the board of directors shall not obstruct promotion and operation of the corporate governance. If a resolution of the board of directors violates laws and regulations or the Articles of Incorporation, then at the request of shareholders holding shares continuously for a year or an independent director or the audit committee to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the board of directors shall immediately report to the audit committee or an independent director of the audit committee in accordance with the preceding paragraph.

Article 31 The Company shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of office so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

The Company shall report the insured amount, coverage, premium rate and other major contents of the liability insurance it has taken out or renewed for directors at the next board of directors meeting.

Article 32 Members of the board of directors shall continuously participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their expertise and knowledge of the law.

Article 33 It is advisable that the Company formulate rules and procedures for board of directors performance assessments and that each year it conduct regularly scheduled performance assessments of the board of directors, functional committees and individual directors through self-assessment, peer-to-peer assessments, engaging outside professional institutions or in any other appropriate manner.

It is advisable that the performance assessment of the board of directors include the following aspects and that appropriate assessment indicators be developed in consideration of the Company's needs:

- I. Degree of participation in the Company's operations.
- II. Improvement in the quality of decision making by the board of directors.
- III. Composition and structure of the board of directors.
- IV. Election and continuous education of directors.
- V. Internal control.

It is advisable that performance assessments of board members (self-assessments or peer-to-peer assessments) include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- I. Their grasp of the Company's goals and missions.
- II. Their awareness of directors' duties.
- III. Their degree of participation in the Company's operations.
- IV. Their management of internal relationships and communication.
- V. Their professionalism and continuing professional education.
- VI. Internal control.

The board of directors shall consider to adjust constitute of its members based on the performance assessment results.

Chapter IV Functional Committee

Article 34 For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors, in consideration of the Company's scale, type of operations and the number of its board members, may set up various functional committees with specific duties assigned.

Functional committees shall be responsible to the board of directors and submit their proposals to the board of directors for approval; however that the performance of supervisors' duties by the audit committee pursuant to laws and regulations shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the numbers, terms of office and powers of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

Article 35 The Company shall establish an audit committee.

The audit committee shall be composed of the entire number of independent directors, which shall not be fewer than three persons; one of whom shall be convener and at least one of whom shall have accounting or financial expertise. The laws and regulations that govern supervisors shall apply to the audit committee.

The following matters shall be excluded from Article 22 set forth herein and be approved by a majority of the audit committee before being proposed to the board of directors for resolutions.

- I. Adoption or amendment to the internal control system pursuant to the laws and regulations.
- II. Assessment of the effectiveness of the internal control system.
- III. Adoption or amendment, pursuant to laws and regulations, to the procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- IV. Matters regarding the personal interest of directors.
- V. Transaction of material assets or derivatives.
- VI. A material monetary loan, endorsement, or provision of guarantee.
- VII. Offering, issuance, or private placement of any equity-type securities.
- VIII. Appointment, discharge or compensation of attesting CPAs.
- IX. Appointment or discharge of a financial, accounting, or internal audit officer.
- X. Annual and semi-annual financial reports.
- XI. Any other material matters required by the competent authority.

Exercise of powers by the audit committee and its members and relevant matters shall be proceeded pursuant to applicable laws and regulations.

Article 36 The Company shall establish a remuneration committee. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter and related matters shall be handled pursuant to applicable laws and regulations.

Members of the remuneration committee shall faithfully fulfill their duties as follows and propose recommendation to the board of directors with principles and attitudes of good faith and caution.

- I. Adoption and periodic review of performance evaluation and the policy, system, standard and structure of remuneration for directors and managerial persons.
- II. Adoption and periodic review of remuneration for directors and managerial persons.

In performing the aforementioned duties, the following principle shall be followed:

- I. Performance evaluation and remuneration for directors and managerial persons shall take reference from average payment by the same trade and connection among personal performance, corporate operation performance and future risk.
- II. The remuneration committee shall not lead directors and managerial persons to act beyond the risk tolerance of the Company for personal remuneration.
- III. Short-term performance-based remuneration ratio and variable pay for directors and managerial persons shall be determined, taking into consideration characteristics of the industry and nature of the operation.

Chapter V Professional Managerial Persons

Article 37 The management team in operating business shall abide by resolution of the board of directors in addition to the laws and regulations, the Articles of Incorporation and resolution of shareholders' meetings. The Company shall ask corporate department or personnel as appropriate to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives, which shall be reported to the next board meeting to facilitate the implementation of business decisions.

The management team shall set up succession plan for the management to ensure sustainable operation.

Article 38 The Company shall establish the position of accounting officer and its deputy.

The Company's accounting officer and its deputy shall receive annual continuing education in compliance with laws and regulations.

The Company's accounting officer and its deputy shall receive at least six hours of continuing education every year; the education may be internal training or professional training courses offered by the competent authority.

Chapter VI Non-competition Restrictions and Operation of Interest Party Relationship

Article 39 The Company shall clearly identify the objectives and the division of authority and responsibility between it and its subsidiaries with respect to management of personnel, assets and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 40 The Company and its subsidiaries enter into inter-company business transactions shall comply with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph; transactions that directly or indirectly lead to non-arm's length matters, non-profit results and improper channeling of profits are strictly prohibited.

Article 41 Directors who perform business activities related to the business scope of the Company for themselves, shall explain to the shareholders' meetings the essential contents of such an act and secure its approval.

Chapter VII Operation of Material Financial and Business Matters

Article 42 The Company shall select a professional, responsible and independent attesting CPA to perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. Channels and mechanisms of communication among the

attesting CPA, independent directors and the Audit Committee shall be established.

The Company shall regularly evaluate the independence and suitability of the CPA engaged by the Company, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for seven years consecutively or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

Article 43 In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds and making endorsements or providing guarantees, the Company shall proceed in accordance with applicable laws and regulations and establish operational procedures in relation to these transactions which shall be reported to and approved by the shareholders' meeting so as to protect the rights and interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and regulations, it shall pay attention to not only the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but also information disclosure and the soundness of the Company's financial structure thereafter.

The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 44 The Company shall establish sound objectives and systems for management of finance, operations and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Chapter VIII Communication and Disclosure of Information

Article 45 The Company shall maintain channels of communication with its stakeholders, respect and safeguard their legal rights and interests and establish a stakeholders section on its website for stakeholders to express opinions.

When any of a stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

Article 46 The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interest is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 47 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management and directors so as to reflect employees' opinions about business management, financial conditions and material decisions of the Company concerning employee welfare.

Article 48 The Company shall disclose information in accordance with laws and regulations, establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 49 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson who understands thoroughly the Company's financial and business conditions to represent the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the Company and establish the order of authority; when the spokesperson cannot perform his/her duties, in making statements independently, acting spokespersons shall be able to make statements independently.

The Company shall formulate the process of making public statements through single source and shall require the management and employees to maintain the confidentiality of financial and operational secrets

and prohibit their disclosure of any such information at will.

Whenever there is any change to the position of a spokesperson or acting spokesperson, the Company shall make announcement in compliance with relevant laws and regulations.

Article 50 In order to keep shareholders and stakeholders fully informed, the Company shall set up a website containing the information regarding the Company's finances, operations and corporate governance and furnish the aforementioned information in English as well.

The aforesaid website shall be maintained by specified personnel and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 51 The Company shall hold an earnings conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the earnings conference shall be disclosed on the Market Observation Post System and provided for inquiry through the Company's website or through other appropriate channels, in accordance with the TWSE or TPEX rules.

Article 52 The Company shall disclose and update in a timely manner the following information regarding corporate governance in the fiscal year in accordance with applicable laws and regulations:

I. Corporate governance structure and rules.

II. Ownership structure and rights and interests of shareholders, including the dividend policy.

III. Structure, professionalism and independence of members of the board of directors.

IV. Responsibility of the board of directors and managerial persons.

V. Composition, duties and independence of the audit committee.

VI. Composition, duties and operation of the remuneration committee and other functional committees.

VII. The remuneration paid to the directors, president and vice president in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors shall be disclosed.

VIII. Further education and training of directors.

IX. The rights, relationships, avenues for complaint, concerns and appropriate response mechanism regarding stakeholders.

X. Details of the events subject to information disclosure required by the laws and regulations.

XI. The enforcement of corporate governance, differences between the rules set forth herein and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reason for the differences.

XII. Other information on corporate governance.

Article 53 The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanism.

Article 54 These Principles, and any amendments hereto, shall be implemented after approval by the audit committee and the board of directors.