

Chung Hwa Pulp Corporation

Procedures for Acquisition and Disposal of Assets

(Ground)

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

(The Scope of Assets)

Article 2: When the company engages in any related party transaction, derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises, it shall proceed in compliance with the provisions of respective applicable handling procedure. Other than such matters, the term "assets" as used herein include the following:

- (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.
- (II) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- (III) Memberships.
- (IV) Patents, copyrights, trademarks, franchise rights and other intangible assets.
- (V) Right-of-use assets.
- (VI) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (VII) Other major assets.

(Investment Limits)

Article 3: The limits governing the investments undertaken by the Company are as follows:

- (I) Total amounts of real estate acquired for non-business use and its right-of-use assets shall not exceed 10 percent of total assets.
- (II) The amount or proportion of investments in mainland China area shall not exceed the upper limit of investment amount or ratio laid down by the competent authority.
- (III) Total amount of long-term securities investment abroad (including mainland China area investment) shall not be subject to the restriction of 40 percent of the Company's paid-in capital in compliance with the Articles of Incorporation while among them, any single investment shall not exceed 75 percent of total assets, except where otherwise resolved by the shareholders' meeting.
- (IV) Total amount of short-term securities investments shall not exceed 100 percent of total assets any single investment shall not exceed 75 percent of total assets.

Total amount of acquirable real estate or securities of the Company's subsidiaries and the limits of any single securities among them shall be governed by the same with the parent company's.

(Application of Public Announcement)

Article 4: Under any of the following circumstances, when acquiring or disposing of assets, this Company shall make a public report of the relevant information on the website designated by the securities authority in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- (I) Acquisition or disposal of equipment or right-of-use assets for business use, and the

transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion.

- (II) Acquisition or disposal of real property or right-of-use assets for construction use, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.
- (III) Acquisition of land under an arrangement on engaging others to build on this 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, and the transaction counterparty is not a related party, and the amount this Company expects to invest in the transaction reaches NT\$500 million.
- (IV) Where an asset transaction other than any of those referred to in the preceding three paragraphs or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the following circumstances:
 - 1. Trading of domestic government bonds or government bonds of foreign countries with a credit rating not lower than Taiwan's sovereign rating.
 - 2. Where done by professional investors-securities trading on domestic and foreign securities exchanges or OTC markets, or subscription of foreign government bonds or ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or resale of exchange-traded notes.
 - 3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- (I) The amount of any individual transaction.
- (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- (III) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- (IV) 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" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these provisions need not be counted toward the transaction amount.

(Non-NTD transactions)

Article 5: Where a transaction is denominated in a currency other than NTD, calculation of amount shall be based on USD equivalents or other foreign currencies.

(Calculation of Transaction Amounts)

Article 6: The transaction amount refers to the agreed price of acquisition or disposal. All the necessary expenses paid for prior to the status of use are not included in the calculation basis notwithstanding the accounting requirement of asset cost recording.

(Handling Procedures)

Article 7: When acquiring or disposing of assets, the following disposition procedures shall be applied according to different asset types:

(I) Application:

When acquiring or disposing of assets, the handling department shall evaluate the gains and losses by a method sufficient to ensure this Company's investment interests, and if necessary, shall report to the relevant departments and handle according to and after the verification and approval by the level authorized by this Company.

The following assets do not require pre-investment evaluation as they are extremely low risk:

1. Trading of bonds under repurchase and resale agreements.
2. Subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(II) Value appraisal:

1. In acquiring or selling real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, this Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

(1) If the discrepancy between the appraisal agency's appraisal results and the transaction amount is 20 percent or more than the transaction amount, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price. The discrepancy between the appraisal result and the transaction amount is based on the transaction amount.

(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisal agencies shall be obtained. The discrepancy between the appraisal results and the transaction amount is 10 percent or more than the transaction amount, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render an opinion regarding the reason for the discrepancy and the appropriateness of the transaction price.

(3) No more than 3 months may elapse between the date of the report and the contract execution date; provided, where the publicly announced current value

for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original appraisal agency.

- (4) Acquisition or disposal of real property or other fixed assets for construction use, except where a limited price, specified price, or special price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under paragraphs (1) and (2) shall be obtained within 2 weeks counting inclusively from the date of occurrence.
2. When acquiring or disposing of securities, this Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, compiled according to the regulations and certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the transaction amount is 20 percent of the Company's paid-in capital or NT\$300 million or more, this Company shall 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. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the securities authority.
3. When acquiring or disposing of of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, this Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.
4. When acquiring or disposing of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or certified public accountant's opinion.
5. Appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall be obtained from professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that meet the following requirements:
 - (1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
 - (2) May not be a related party or de facto related party of any party to the

transaction.

(3) If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory standards of their associations and the following:

(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.

(2) When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

(3) They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.

(4) They shall issue a statement attesting to the professional competence and independence of the relevant personnel, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

6. The calculation of the transaction amounts shall be done in accordance with Article 4, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained in accordance with these provisions need not be counted toward the transaction amount.

(III) Bidding, Price Comparison or Negotiation:

After appraisals, asset management departments shall formulate the reserve price and handle in accordance with the tender or price competition procedures. If tenders or price competitions cannot take place, negotiations shall be conducted.

(IV) Contract signing:

Transaction contracts with a counterparty shall be based on the result of price competitions or negotiations, and the handling personnel shall strive to ensure this Company's interests.

(V) Public Announcement and Filing:

When acquiring or disposing of assets and when the announcement standard of Article 4 is met, the handling department shall notify the finance department according to the nature of the transaction and in the prescribed format. The finance department shall make a public report of the relevant information on the website designated by the securities authority within two days counting inclusively from the date of occurrence of the event.

When, at the time of public announcement, there is a necessary correction to an error or omission in an item required by the regulations to be publicly announced, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date the error or omission is discovered.

Once a transaction is publicly announced and reported, if the contract signed in regard to the original transaction is changed, terminated, or rescinded, or the content of the original public report has changed, a public report of the relevant information shall be made on the website designated by the securities authority within two days counting inclusively from the date of occurrence of the event.

(VI) Submission to the Board of Directors:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, and the transaction amount reaches the public disclosure standards of Article 4, the transaction shall be approved by at least one-half of all Audit Committee members and submitted to the Board of Directors for approval. If it has not been approved by at least one-half all Audit Committee members, the transaction may be undertaken upon the consent of at least two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting. If a director expresses dissent and it is contained in the minutes or a written statement, this Company shall submit the director's dissenting opinion to the Audit Committee. The same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. In addition to the provisions of the preceding paragraph, when the transaction amount reaches the standard for public disclosure as specified in Article 4, the transaction shall be submitted to the Board of Directors after an acquisition or disposal.
3. When this Company submits the matter to the Board of Directors for discussion pursuant to this paragraph, the Board of Directors shall take into full consideration each independent director's opinions and record objections and reservations of independent directors in board meeting minutes.

(VII) Acceptance or Checking:

The acquisition or disposal of assets should be accepted or inventoried according to the content or conditions of the contract and related documents, and any discrepancies should be handling according to the approval procedures.

(VIII) Property Registration:

For real property acquisitions, this Company shall register the real property with the competent authority by the statutory deadline; the same procedure shall be followed for modification.

(IX) Insurance shall be handled by the relevant departments according the the nature and situation of the asset.

(Definition of Date of Occurrence)

Article 8: Date of occurrence in these Principle refers to the date of contract signing, date of payment, date of

consignment trade, date of transfer, dates of Board resolutions or other date that can confirm the counterpart 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.

(Public Announcement of Subsidiaries)

Article 9: Where information on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan is required to be publicly announced and reported, the subsidiary shall notify the Company the date of occurrence of the event; the latter shall publicly announce and report the relevant information on the securities competent authority's designated website within two days commencing immediately from the date of occurrence of the event pursuant to the Procedure.

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 10: In acquiring or disposing assets, the employees violating these regulations shall be subject to penalties.

(Data Retention)

Article 11: The company acquiring or disposing of assets 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.

(Unspecified Matters)

Article 12: Matters that are not specified herein shall proceed in compliance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies. Subsidiaries of the Company may formulate their own procedures for acquisition and disposal of assets based on their operational needs; if not, these Procedures shall be followed.

(Supplementary Provisions)

Article 13: Adoption or amendment to the Procedure shall be approved by more than half of all audit committee members, submitted to the Board for a resolution and submitted to shareholders' meeting for adoption; if any director expresses dissent and it is contained in the minutes or a written statement, such director's dissenting opinion shall be submitted to audit committee. If the approval of a majority of all members of the audit committee 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.

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