

Pacific Hospital Supply Co., Ltd.

Corporate Governance Best-Practice Principles

Chapter I General Principles

Article 1

In order to establish a sound corporate governance system, the Company formulates its own corporate governance principles and establishes an effective corporate governance framework with reference to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies which jointly adopt by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX), and discloses them through the Market Observation Post System (MOPS).

Article 2

When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TPEX and other relevant regulations, The Company shall follow the following principles:

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the board of directors.
3. Fulfill the function of supervisors.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

Article 3

The Company shall follow the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and review it at all times, in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

If the Company has elected independent directors, the adoption or amendment to its internal control system shall be submitted to the board of directors for approval by resolution unless an approval has been obtained from the competent authority; when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting.

In addition to perform full self-assessments of internal control system by The Company, the board of directors and the management shall review the result of the self-assessments of each department at least annually and the reports of the internal audit department on a quarterly basis. Supervisors shall also pay attention to and exercise supervision over this matter. The Company is advised to establish channels and mechanisms of communication between independent directors, supervisors, and chief internal auditors. Directors and supervisors shall periodically hold seminars with the internal auditor with respect to the problems and review of the internal control system, and minutes of which shall be produced, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors.

The management shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, evaluate problems of the internal control system and assess the efficiency of operations to ensure that such system can be carried out effectively on an on-going basis and may assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

To put the internal control system into effect, strengthen the professional abilities of the agent of the internal auditor and to further improve and maintain the quality and implementing result of the audit, the Company shall have a deputy in place for the internal auditing personnel.

The qualification requirements on the internal auditor set out in Article 11, paragraph 6 of the Criteria

Governing Establishment of Internal Control System by Public Reporting Companies and Articles 16, 17, and 18 of the same Criteria shall apply mutatis mutandis to the deputy as referred to in the preceding paragraph.

Article 3-1

The Company may set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs and designate a senior officer to be in charge of supervision. Said officer shall be a qualified lawyer or accountant or have at least three years' management experience gained at a public company in handling legal affairs, financial affairs, stock affairs, etc.

It is advisable that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

1. Handling corporate registration and amendment registration.
2. Handling matters relating to board meetings and shareholders meetings according to laws, and assisting the company with compliance with laws and regulations governing such meetings.
3. Producing minutes of board meetings and shareholders meetings.
4. Furnishing information required for business execution by directors and supervisors, and updating them on developments of laws and regulations relating to the operation of the company in order to assist them with legal compliance.
5. Affairs relating to investor relations.
6. Other matters set out in the articles of corporation or contracts.

Chapter II Protection of Shareholders' Rights and Interests

Section 1 Encouraging Shareholders to Participate in Corporate Governance

Article 4

The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equitably.

The Company shall establish a corporate governance system which ensures shareholders rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 5

The Company shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders meetings of the Company shall comply with laws, regulations and articles of incorporation.

Article 6

The Company shall properly arrange shareholders meeting discussion topics and procedures and formulate the principles and procedures for shareholder nominations of directors and supervisors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.

For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors (including at least one independent director) and at least one supervisor attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7

The Company encourages shareholders to actively participate in corporate governance. It is advisable that the Company engage a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure, and is advised to upload notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently in order to enhance the attendance rate of shareholders at the shareholders meeting and ensure the exercise of shareholders rights by shareholders at the shareholders meeting in accordance with laws.

The Company that employs electronic voting at a shareholders meeting is advised to avoid raising extempore motions and amendments to original proposals, and is advised to adopt a candidate nomination system for the election of directors and supervisors.

The Company is advised to arrange for their shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System.

If the Company distributes souvenirs at shareholders meeting, it shall not practice differential treatment or discrimination.

Article 8

The Company shall, in accordance with the Company Act and other applicable laws and regulations, record in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors and supervisors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors or supervisors.

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

Article 9

The chairperson of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it would be advisable for the members of the board of directors other than the chairperson of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10

The Company shall place high importance on shareholders rights to know, and faithfully comply with the applicable regulations regarding the information disclosure to provide, regularly and timely, the shareholders with information relating to the financial conditions and operations, the insiders' shareholdings, and corporate governance status in the Company by utilizing the Market Observatory Post System or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect shareholders' rights and interests and ensure their equal treatment, the Company shall adopt

internal rules prohibiting company insiders from trading securities using 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 Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the audit reports submitted by the supervisors, and may decide, by resolution, profit distributions and deficit off-setting plans. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records and assets of the Company.

The board of directors, supervisors and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any obstruction, rejection or circumvention.

Article 12

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 the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the 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/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but 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.

Section 2 Establishing a Mechanism for Interaction with Shareholders

Article 13

In order to protect the interests of the shareholders, it would be advisable for the Company to designate personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders.

The Company shall properly deal with matters arising from any action instituted by shareholders pursuant to the applicable laws claiming damage to such shareholders' rights and interests caused by the resolution adopted in shareholders meetings or the board of directors meetings in violation of the applicable laws, regulations or articles of incorporation, or claiming a breach by directors, supervisors or managers of applicable laws, regulations or the Company's articles of incorporation in performing their duties.

It is advisable that the Company adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference and incorporate the procedures in internal control system for management purposes.

Article 13-1

The board of directors is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of company's objectives.

Article 13-2

In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the board of directors together with officers and independent

directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

Section 3 Corporate Governance Relationships between the Company and Its Affiliated Enterprises

Article 14

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

Article 15

A director, who engages in any transaction for himself/herself or on behalf of another person that is within the scope of the Company's operations, shall explain the major content of such actions to the shareholders meeting and obtain its consent.

Article 16

The Company shall establish sound objectives and management systems for finance, operations and accounting in accordance with the relevant laws and regulations. It would be appropriate for the Company, together with affiliated enterprises, to 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.

Article 17

Where the Company and affiliated enterprises enter into inter-Company business transactions, a written agreement governing the relevant financial and business operations between each other shall be made in accordance 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 affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph and tunneling of profits is strictly prohibited.

Article 18

A corporate shareholder having controlling power over the Company shall comply with the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its Company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right for the best interest of all shareholders and in good faith and exercise the fiduciary duty and duty of care of a director or supervisor.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the Company in nominating directors or supervisors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director or supervisor shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 19

The Company shall ensure the command at any time of information on the identity of major shareholders, who own a higher percentage of shares and have an actual control over the Company, and its ultimate control persons.

The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list, provided however that the Company may set up a lower shareholding threshold according to the actual shareholding stake that may control the Company.

Chapter III Enhancing the Function of Board of Directors

Section 1 Structure of Board of Directors

Article 20

The Company shall direct company strategies, supervise the management, and be responsible to the company and shareholders. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders meetings of the Company.

Regarding the structure of the board of directors, The Company shall determine an appropriate number of board members not less than five persons, in consideration of its business scale, the shareholding of its major shareholders and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skill, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgment.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Industrial knowledge.
6. International market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Article 21

The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless otherwise the competent authority grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

Where the number of directors falls below five due to the release of director(s) for any reason, the Company shall hold a by-election for director at the next following shareholders meeting. Where 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 director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply with the 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 the relevant information shall be fully disclosed.

Article 22

The Company is advised to specify in articles of incorporation that it adopts the candidate nomination system for elections of directors pursuant to the Company Act, and to review in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates recommended by shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to shareholders for their reference, so that qualified directors will be elected.

The board of directors shall assess carefully the qualifications and other matters listed in the preceding paragraph and the willingness of a candidate to act as director after it is so elected, before proposing a roster of director candidates as required.

Article 23

It would be appropriate to have clear distinctions drawn between the responsibilities and duties of the chairperson of the board of the Company and those of its general manager.

When the Company sets up a functional committee, the responsibilities and duties of the committee shall be clearly defined.

Section 2 Independent Director System

Article 24

The Company shall appoint independent directors in accordance with its articles of incorporation. They shall not be less than two in number and not less than one-fifth of the total number of directors.

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 Company shall, in accordance with the Company Act, adopt a candidate nomination system for election of the independent directors and expressly stipulate such system in the articles of incorporation; and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots pursuant to the Company Act.

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

If an independent director is released for any reason, resulting in a number of directors lower than that required under paragraph 1 or the articles of incorporation, a by-election for independent director shall be held at the next shareholders meeting. In the event that all the independent directors have been released, the Company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the vacancies arose.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of TWSE or TPEX.

Article 25

When the Company has elected independent directors, the following matters shall be submitted to the board of directors for approval by resolution unless approval has been obtained from the competent authority; when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling 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.
3. A matter bearing on the personal interest of a director or a supervisor.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring or release of a certifying CPA, or the compensation given thereto.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 26

The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or other board members shall not restrict or obstruct the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulation. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

When the Company, under articles of incorporation, or by resolution of shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director and supervisor compensation and employee compensations.

Section 3 Functional Committees

Article 27

For the purpose of developing supervision functions and strengthening management mechanisms, the Company, in consideration of the company's scale and type of operations and the number of board members, may set up remuneration committee or other functional committees.

Remuneration committee or functional committees shall be responsible to the board of directors and submit the proposals to the board of directors for approval.

Remuneration Committee and other functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the number, term of office, and power 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 28

The Company establishes three supervisors who shall provide through audit report on all kinds of statements and books prepared and submitted by the board of directors and submit to the shareholders' meetings.

Article 28- 1

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 the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors. However, recommendations in connection with remuneration for supervisors may be submitted for deliberation by the board of directors only to the extent that the board of directors is authorized expressly by the Company's articles of incorporation or by a resolution of the shareholders meeting to handle supervisor remuneration:

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

1. With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of compensation for the short-term performance of directors and senior management and the time at which the variable part of remuneration is paid.

Article 28-2

The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles complaints 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.

Article 29

To improve the quality of financial reports, the Company shall establish the position of deputy to principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The Company shall select a professional, responsible and independent CPA to be external auditor, who shall

perform regular reviews of the financial conditions and internal control measures of the Company. With regard to the irregularity or deficiency timely discovered and disclosed by the auditor during the review, and the concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between the independent directors, supervisors and the attesting CPA, and to incorporate procedures for that purpose into the company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly (no less frequently than once annually). In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary actions or other circumstances prejudicial to the independence of the CPA, the Company shall evaluate the necessity of replacing the CPA, and shall submit the conclusion to the board of directors.

Article 30

The Company shall prevent any infraction by itself or its staff of laws or regulations and ensure the corporate governance matters will proceed pursuant to the relevant legal framework and the prescribed procedures.

In the event that the directors, supervisors or the management are involved in litigation as result of performing his or her duties as provided by the law or arising from shareholders disputes, depending on the circumstances the Company shall retain a legal counsel to provide assistance.

Section 4 Rules for the Proceedings of Board Meetings and the Decision-Making Procedures

Article 31

The Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of meeting shall be sent to each director and supervisor no later than 7 days before the scheduled date. Sufficient meeting material shall also be prepared and enclosed in the meeting notice. If the meeting material is deemed inadequate, a director may ask the unit in-charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

The Company shall adopt the rules of proceedings for board meetings and follow the provisions in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcement, and other matters for compliance.

Article 32

Company 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 for 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 of procedure for board meetings.

Article 33

If the Company has independent directors, the independent directors must attend a board meeting in person without being represented by a non-independent director via proxy when the meeting is convened for considering any of the matters submitted to the board pursuant to Article 14-3 of the Securities and Exchange Act. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in

person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless justifiable reasons exist for failure to so comply, and the opinion shall be noted in the minutes of the board of directors meeting.

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:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.

During the preceding of the board meetings, managers from the relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make report on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, CPA, legal counsel or other professionals 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, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34

Staff personnel of the Company attending board meetings shall collect and correctly record the meeting minutes in detail, and the summary, 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 be signed by the chairperson and minute-taker and be sent to each director and supervisor within 20 days after the meeting. The director attendance records shall become a part of the meeting minutes, and be treated as important corporate records and be kept safe permanently during the life 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 of directors meeting, and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

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

Where a resolution of the board of directors violates laws, regulations, articles of incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35

The Company shall submit the following matters to the board of directors for discussion:

1. Corporate business plan.
2. 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.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling 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.
5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managerial officers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.

9. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
 10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be submitted to a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.
- Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, the board of directors may delegate others to exercise its power when it is in recess according to laws or regulations, or articles of incorporation. The delegation however shall be specific with regard to the level, content or matters of authorization, and general authorization is not permitted.

Article 36

The Company shall ask the appropriate corporate department or personnel to handle matters and implement actions pursuant to the board of directors' resolutions in a way consistent with the program schedule and objectives. It shall also follow up on these matters and faithfully review their implementation. The board of directors shall ensure full control of the implementation and progress of these matters and make a report in subsequent meetings so as to ensure that the board's management decisions are faithfully implemented.

Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors

Article 37

Members of the board of directors shall conduct corporate affairs with loyalty and perform this duty of care as a good administrator. In conducting the affairs of the Company, they shall exercise their power with a high level of self-discipline and prudential attitude. Unless matters are otherwise reserved for approvals in shareholders meetings by law or in the articles of incorporation of the Company, they shall ensure that all matters be handled according to the resolutions of board of directors.

Where resolutions of the board of directors involve business development of the Company and significant policy direction, the board of directors shall make careful consideration and may not affect the implementation and effectiveness of corporate governance.

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 (functional committees) include the following aspects, and that appropriate assessment indicators be developed in consideration of the company's needs:

1. The degree of participation in the company's operations.
2. Improvement in the quality of decision making by the board of directors.
3. The composition and structure of the board of directors.
4. The election of the directors and their continuing professional education.
5. Internal controls.

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:

1. Their grasp of the company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the company's operations.
4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.
6. Internal controls.

The Company's board of directors shall consider adjusting its composition based on the results of performance assessments.

Article 38

If a resolution of the board of directors violates law, regulations or the Company's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of a supervisor 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 any threat of the Company suffering material injury, members of the board of directors shall immediately report to the supervisor in accordance with the foregoing paragraph.

Article 39

It is appropriate for the Company to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

Article 40

Members of the board of directors are advised to 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 the Company 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 professionalism and knowledge of the law.

Chapter IV Empowering the Supervisors

Section 1 Functions of Supervisors

Article 41

The Company shall stipulate a fair, just, and open procedure for the election of supervisors, and shall adopt the cumulative voting mechanism pursuant to the Company Act to fully reflect the opinions of the shareholders.

The Company shall take into consideration the needs for overall business operation and comply with the rules of the TWSE or TPEX in setting the minimum number of supervisors.

The aggregate shareholding percentage of all of the supervisors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each supervisor and the creation, release, or other changes of any pledges over the shares held by each supervisor shall comply with the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 42

The Company specifies in articles of incorporation that it adopts the candidate nomination system for elections of supervisors pursuant to the Company Act, and to review in advance the qualifications, education, working experience, background and the existence of any other matters set forth in Article 30 of the Company Act with respect to the supervisor candidates recommended by the shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to the shareholders for their reference, so that qualified supervisors will be elected.

The board of directors shall assess carefully the qualifications and other matters listed in the preceding paragraph and the willingness of a candidate to act as supervisor after it is so elected, before proposing a roster of supervisor candidates as required.

Article 43

Unless it is otherwise approved by the competent authority, at least one seat of supervisor shall not have a

spousal relationship or a familial relationship within the second degree of kinship with another supervisor or a director.

The Company is advised to refer to the provisions on independence as provided in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies to appoint a suitable supervisor so as to enhance the risk management, and financial and operational control of the Company.

A supervisor will preferably be domiciled within the territory of the ROC to allow timely performance of supervisory functions.

Section 2 Powers and Obligations of Supervisors

Article 44

A supervisor shall be familiar with the relevant laws and regulations, understand the rights, obligations, and duties of directors of the Company and the functions, duties, and operation of each department, and attend meetings of the board of directors to supervise the operations and to state his/her opinions when appropriate so as to control or discover any abnormal situation early on.

Article 45

A supervisor shall supervise the implementation of the operations of the Company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the Company.

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the Company, a supervisor shall act as the representative of the Company.

Article 46

A supervisor shall investigate the operational and financial conditions of the Company from time to time, and the relevant departments in the Company shall provide the books or documents that will be needed for the supervisor's review.

When reviewing the finance or operations of the Company, a supervisor may retain attorneys or CPAs on behalf of the Company to perform the review; however, the Company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the supervisors and shall not for any reason obstruct, circumvent, or refuse the inspection of the supervisor.

When a supervisor performs his/her duties, the Company shall provide necessary assistance as needed by the supervisor, and the reasonable expenses that the supervisor needs shall be borne by the Company.

Article 47

For supervisors to timely discover any possible irregular conduct in the Company, the Company shall establish a channel for supervisors to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, a supervisor shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

Where any of the independent directors, general managers, officers of finance, accounting, research & development, and internal audit department, or CPAs resigns or is removed from his/her position, the supervisors shall further investigate the reason thereof.

In the event that a supervisor neglects his/her duties and therefore causes harm to the Company, the supervisor shall be liable to the Company.

Article 48

When exercising his/her supervisory power, each supervisor of the Company may, after taking into consideration the overall interest of the Company and shareholders, convene a meeting to exchange

opinions among all the supervisors when he or she feels necessary, but in so doing may not obstruct supervisors in exercising their duties.

Article 49

It is appropriate for the Company to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoing or negligence of a supervisor.

Article 50

Supervisors are advised to participate in training courses of 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 the Company Listed Companies, which cover subjects relating to corporate governance upon becoming supervisors and throughout their terms of occupancy.

Chapter V Respecting Stakeholders' Rights

Article 51

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community or other stakeholders and shall respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

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

Article 52

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 decision-making process. When any of their legal rights or interest is harmed upon, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 53

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

Article 54

In developing normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of the Company.

Chapter VI Improving Information Transparency

Section 1 Enhancing Information Disclosure

Article 55

Publication of information is the major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws, and the related TWSE and TPEx rules.

The Company shall 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 56

In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

In order to implement the spokesperson system, the Company shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit disclosure thereof by them at will.

The Company shall disclose the relevant information regarding any change to the position of a spokesperson or acting spokesperson upon such change.

Article 57

In order to keep shareholders and stakeholders fully informed, it is advisable that the Company utilizes the convenience of the Internet and set up a website containing the information regarding the Company's finance, operation and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, in detail and updated timely.

Article 58

The Company shall hold an institutional investor meeting 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 institutional investor meeting shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company or other channels in accordance with the TWSE or TPEX rules.

Section 2 Disclosure of Information on Corporate Governance

Article 59

The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
3. Structure, professionalism and independence of the board of directors.
4. Responsibility of the board of directors and managerial officers.
5. Composition, duties and independence of supervisors.
6. Composition, duties and operation of the remuneration committee and other functional committees.
7. The remuneration paid to the directors, supervisors, general manager and vice general manager in the last two fiscal years, the analysis of the percentage of total remuneration to the 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 and supervisors shall be disclosed.
8. The progress of training of directors and supervisors.
9. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
10. Details of the events subject to information disclosure required by law and regulations.
11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the Company and these Principles, and the reason for the differences.
12. Other information regarding corporate governance.

The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

Chapter VII Supplementary Provisions

Article 60

The Company shall at all times monitor domestic and international development of corporate governance and thereby review and improve the Company's corporate governance mechanism so as to enhance the performance of corporate governance.

Article 61

The principle will be carried out with approval of the board of directors; the same applies to amendments to original proposals.