

HTC Corporation

Corporate Governance Principles

Chapter I General Principles

Article 1 HTC Corporation (herein referred to as the “Company”) has hereby determined the “HTC Corporate Governance Principles” (herein referred to as the “Principles”) in accordance with the “Corporate Governance Principles for TWSE/GTSM Listed Companies” drafted by the Taiwan Stock Exchange Corporation (“TWSE”) and the GreTai Securities Market (“GTSM”) to establish a sound corporate governance system, and establish an effective corporate governance framework promote the integrity of the securities market.

Article 2 In addition to complying with relevant laws, regulations, Articles of Incorporation, contracts signed with the TWSE or GTSM and other relevant regulations, 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 the Audit Committee.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

Article 3 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 in establishing an effective 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.

The adoption or amendment to its internal control system shall be approved by one half or more of all the Audit Committee members and be submitted to the board of directors for approval by resolution; 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 fully performing voluntary reviews of the internal control system by the Company, its board of directors and the management shall review the result of the voluntary reviews of each department and the report of the internal audit department at least annually. The Audit Committee shall also pay attention to and exercise supervision over this matter. Directors 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.

The management of the Company 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-time 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 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 fairly.

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

Resolutions adopted by shareholders meetings of the Companies shall comply with laws, regulations and Articles of Incorporation.

Article 6 The board of directors of the Company shall properly arrange shareholders meeting discussion topics and procedures. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.

Article 7 The Company shall encourage its shareholders to actively participate in its corporate governance and hold shareholders meetings on the premise of legal, effective and safe proceedings. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes, and is advised to upload notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, so as 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 shall employ electronic voting or voting by ballot at a shareholders meeting; the Company shall adopt the candidate nomination system for elections of directors in accordance with the Article of Incorporation of the Company. Company will enter the voting results, namely the numbers of votes cast "For" and "Against" and the number of "Abstentions," for each proposal, after the shareholders meeting on the same day that it is held, on the Market Observation Post System.

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

Article 8 The Company shall record in the shareholders meeting minutes in accordance with the Company Act and other applicable laws and regulations. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

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 chairman 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 chairman 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 chairman 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 chairman of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairman 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.

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 Audit Committee, 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 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 also information need to be disclosed 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 event of conflict of interest and the avoidance from the same.

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 its shareholders meetings or the board of directors meetings in violation of the applicable laws, regulations or its Articles of Incorporation, or claiming a breach by its directors or managers of applicable laws, regulations or the Company's Articles of Incorporation in performing their duties.

Article 13-1 The board of directors of the Company 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 of the Company 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 to gain shareholders' support.

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

Article 14 The Company shall clearly identify the allocation of its management authorities and responsibilities over personnel, assets and financial matters of its affiliated enterprises, and shall conduct risk evaluation and establish appropriate firewalls.

Article 15 According to Article 29 and Article 32 of the Company Law, a manager of the Company who also serves as a manager of its affiliate shall obtain consent by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of entire directors of the Company.

A director, who engages in any transaction for himself 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 a sound management system for finance, operations and accounting in accordance with the relevant laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk evaluation of the major banks they are dealing with, their customers and their suppliers, and carry out the necessary control mechanism to reduce credit risks.

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 its 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.
3. It shall comply with relevant laws, regulations and the Articles of Incorporation of the Company in nominating directors 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 of the Company.
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.

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 board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the 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 shall give due attention to the principles of gender equality, and its members shall have the necessary knowledge, skill, and experience 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 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 shall 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 its 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 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 Clear distinctions shall be drawn between the responsibilities and duties of the chairman of the board of the Company and those of its general manager.

It would be inappropriate for the chairman to also act as the general manager. If the chairman also acts as the general manager or they are spouses or relatives within one degree of consanguinity, it would be advisable that the number of independent directors be increased.

The company with a functional committee shall clearly define the responsibilities and duties of the committee.

Section 2 Independent Director System

Article 24 The Company shall appoint independent directors in accordance with its Articles of Incorporation not less than three 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. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

The Company shall 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 Article 198 of 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 the Taiwan Stock Exchange or GreTai Securities Market.

Article 25

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 regulations. 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 its Articles of Incorporation, or by resolution of its 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 compensation and employee compensations.

Section 3 Functional Committees

Article 26 For the purpose of developing supervision functions and strengthening management mechanisms, the board of directors of the Company may, taking into account the company's scale and type of operations and the number of its board members, set up the Audit Committee, remuneration or any other functional committees.

Functional committees shall be responsible to the board of directors and submit the proposals to the board of directors for approval.

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 27 The Board shall establish an Audit Committee composed of the entire independent directors; one of the Audit Committee members shall serve as chairman, and at least one member shall possess professional expertise in accounting or finance.

The Company establishes an Audit Committee, the provisions regarding supervisors in the Securities and Exchange Act, the Company Act and other laws and regulations shall apply *mutatis mutandis* to the Audit Committee.

The following matters shall be subject to the approval by at least one half or more of all Audit Committee members and be submitted to the board of directors for resolution:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of a CPA, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and semi-annual financial reports.
11. Any other material matter so required by the Company or the Competent Authority.

The exercise of power by the Audit Committee and independent directors and the related matters shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committee of Public Companies, and the rules and regulations of the TWSE or GTSM.

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. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.

2. Periodically evaluate and prescribe the remuneration of directors 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 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 payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

Article 29

The Company shall select a professional, responsible and independent CPA to be its 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.

The Company shall evaluate the independence of the CPA engaged by the Company regularly (and 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 review the necessity of replacing the CPA, and shall submit to the board the conclusion of such review.

Article 30 It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction by the Company or its staff of laws or regulations, and ensuring the corporate governance matters will proceed pursuant to the relevant legal framework and the prescribed procedures.

In the event that the directors 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.

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

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

Article 31 The board of directors of 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 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 A director shall exercise a high degree of self-discipline and shall voluntarily recuse from participating in discussion and voting, for himself or herself or as proxy for another director, on a proposal submitted to the board of directors that risks the

involvement of the director's own interest to the detriment of the interest of the Company. The directors shall practice self-discipline as to their internal relationship and must not support each other in an inappropriate manner.

The matters that a director shall voluntarily recuse from voting shall be clearly set forth in the rules for the proceedings of board meetings.

Article 33

The independent directors must attend a board meeting in person without being represented by a non-independent director via proxy when the board of directors' 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, announced and reported on a website designated by the competent authority within 2 days after the date of said board meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement; or
2. The matter was not approved by the audit committee but had the consent of more than two-thirds of all directors.

During the proceeding 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, but 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 chairman and secretary of the meeting and be sent to each director 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.

A 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 its board of directors for discussion:

1. Corporate business plan.
2. Annual and semi-annual financial reports.
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. 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.

The Company shall submit the minutes of the seminars regarding the problems and review of the internal control system to the board of directors and make a report to the same.

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.

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 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 any threat of the Company suffering material injury, members of the board of directors shall immediately report to the Audit Committee in accordance with the foregoing paragraph.

Article 39 According to the Articles of Incorporation or resolution adopted in the shareholders meeting, the Company may take out liability insurance for directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy

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 is advised to 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 meeting.

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 of TWSE/GTSM 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 Respecting Stakeholders' Rights

Article 41 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community or other stakeholders of the company, 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 42 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 43 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 44 In developing its 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 V Improving Information Transparency

Section 1 Enhancing Information Disclosure

Article 45 The Company shall perform its obligations faithfully in accordance with the relevant laws, and related TWSE and GTSM 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 46 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.

The Company shall appoint one or more acting spokesperson who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements and 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 47 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 to contain the corporate governance information in English as well.

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 48 The Company shall hold an institutional investor meeting in compliance with the regulations of the TWSE, and it would be advisable to audio or video record 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 GTSM rules.

Section 2 Disclosure of Information on Corporate Governance

Article 49 The Company shall disclose the following information regarding corporate governance in the fiscal year in accordance with laws and regulations of the TWSE.

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 operation of the remuneration committee and other functional committees.
6. 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 shall be disclosed.
7. The progress of training of directors.
8. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
9. Details of the events subject to information disclosure required by law and regulations.
10. The enforcement of corporate governance, differences between the corporate governance principles implemented by the Company and these Principles, and the reason for the differences.
11. 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.

Article 50 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.