

Corporate Governance Best Practice Principles

XU YUAN PACKAGING TECHNOLOGY CO., LTD.

Revised by the Board of Directors on May 14, 2015

Reported to the Shareholders' Meeting on June 30, 2015

Chapter 1: General Provisions

Article 1: Establishment and Compliance

This Corporate Governance Best Practice Principles document is established based on the "Corporate Governance Best Practice Principles for Listed and OTC Companies" jointly issued by the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX). These principles are publicly disclosed on the Market Observation Post System (MOPS).

Article 2: Corporate Governance Principles

In addition to complying with laws, regulations, and corporate bylaws, as well as agreements and guidelines set by the TWSE and TPEX, the company shall adhere to the following principles:

1. Establishing an **effective corporate governance structure**.
2. Protecting **shareholder rights**.
3. Strengthening the **functions of the Board of Directors**.
4. Enhancing the **role of the Audit Committee**.
5. Respecting the **rights of stakeholders**.
6. Improving **information transparency**.

Article 3: Internal Control System

1. The company shall establish and implement an **internal control system** in accordance with the **Guidelines for Establishing Internal Control Systems** for

Public Companies. The system should be **regularly reviewed and updated** to address changes in the **internal and external environment**.

2. Amendments or modifications to the internal control system **must be approved by a majority of the Audit Committee and then by the Board of Directors** unless otherwise approved by regulatory authorities.
 3. The **Board of Directors and management** must review the **self-assessment reports** from departments annually and the **internal audit reports** quarterly. The **Audit Committee** is responsible for monitoring and supervising these evaluations.
 4. A **communication mechanism** between the Audit Committee and the **internal audit supervisor** shall be established.
 5. Directors shall **regularly discuss and review internal control deficiencies** with **internal auditors**, track improvements, and report findings to the Board.
 6. The company shall assign **deputy internal auditors** to maintain **audit quality and execution effectiveness**.
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Chapter 2: Protection of Shareholder Rights

Section 1: Encouraging Shareholder Participation in Corporate Governance

Article 4: Fair Treatment of Shareholders

The **corporate governance system** shall ensure:

- Protection of **shareholder rights**.
- Equal treatment of all shareholders.
- Shareholders' full knowledge, participation, and decision-making on **major company matters**.

Article 5: Shareholders' Meetings

1. The company shall convene **shareholders' meetings** in accordance with the **Company Act** and other relevant laws and regulations.
2. Proper **meeting procedures** shall be in place to ensure that shareholder resolutions are executed in compliance with the law and the corporate bylaws.

Article 6: Shareholder Meeting Procedures

1. The Board shall **appropriately arrange meeting topics and procedures**.
2. The Board should provide:
 - A **convenient meeting venue**.
 - **Sufficient time** for discussions.
 - **Qualified personnel** for handling shareholder registration.
3. The **Chairman should personally preside** over meetings, and at least **one independent director** and a **representative from each functional committee** should attend.
4. Attendance shall be recorded in the meeting minutes.

Article 7: Facilitating Shareholder Participation

1. The company shall **engage a professional shareholder services agency** to manage shareholder meetings.
2. The company should adopt **electronic voting** and online disclosures to encourage **higher participation rates**.
3. The company should avoid **proposing ad hoc motions** during electronic voting.

Article 8: Shareholder Meeting Minutes

1. The company shall **properly record** all shareholder meetings, including:
 - **Date, location, chairman, resolutions, and voting results**.
 - **Election details, including the voting method and number of votes received by each director**.
2. Meeting minutes must be **permanently retained**.
3. The company shall **disclose the minutes on its website**.

Article 9: Compliance with Meeting Rules

1. The **Chairman shall follow meeting procedures** to ensure an orderly process.
2. If the **Chairman arbitrarily ends the meeting**, other **Board members may continue** with shareholder approval.

Article 10: Shareholder Rights to Information

1. The company shall **disclose** financial and governance-related information on **MOPS and the company website**.
2. Information shall be **provided in both Chinese and English** to ensure fair treatment.
3. **Insider trading regulations shall be strictly enforced** to prevent misuse of non-public information.

Article 11: Profit Distribution

1. Shareholders have the **right to receive dividends**.
2. Shareholders may **audit financial statements** and **file lawsuits if their rights are violated**.

Article 12: Major Financial Transactions

1. Acquisitions, loans, and guarantees shall comply with **relevant laws** and be **approved by shareholders**.
2. In case of a **Management Buyout (MBO)**, an **independent committee** shall review the **fairness of the transaction**.

Article 13: Handling Shareholder Disputes

1. The company shall **assign personnel** to address shareholder **suggestions, concerns, and disputes**.
 2. If **Board decisions violate shareholder rights**, the company shall **handle legal claims appropriately**.
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Chapter 3: Strengthening Board Functions

Section 1: Board Composition

Article 20: Board Responsibilities

1. The Board shall be **accountable to shareholders** and ensure **compliance with laws and regulations**.
2. The **Board size shall be at least five directors**, considering **business scale and shareholder structure**.

Article 21: Director Selection

1. Directors shall be elected through a **fair, just, and open process**.
2. The **cumulative voting system** shall be adopted.
3. If the **Board falls below five members**, a **by-election must be held at the next shareholders' meeting**.

Article 24: Independent Directors

1. The company shall have **at least three independent directors**, making up **at least one-fifth of the Board**.
2. Independent directors must:
 - Possess professional knowledge.
 - Have limited shareholding and concurrent positions.
 - Remain free from conflicts of interest.

Article 28: Audit Committee

1. The company shall establish an **Audit Committee** composed **entirely of independent directors**.
 2. The Audit Committee shall **replace the role of supervisors**.
 3. Responsibilities include:
 - **Internal control evaluation**.
 - **Major transactions, asset disposals, and financial oversight**.
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Chapter 6: Enhancing Information Transparency

Article 45: Public Disclosure

1. The company must comply with **TWSE/TPEX disclosure requirements**.
2. A **designated spokesperson system** shall be established to ensure **accurate and timely disclosures**.

Article 46: Internet Disclosure

1. The company shall maintain a **corporate website** for financial and governance disclosures.
2. Information should be **available in both Chinese and English**.

Article 49: Annual Corporate Governance Report

The company shall disclose:

- **Board structure and independence**.

- Executive compensation details.
 - Audit Committee composition and responsibilities.
 - Stakeholder relations.
 - Company governance framework and improvements.
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Chapter 7: Final Provisions

Article 51: Amendments

These principles shall take effect upon approval by the Board of Directors and be reported to the Shareholders' Meeting.