

KMC (Kuei Meng) International Inc. ("the Company")

Ethical Corporate Management Best Practice Principles

Article 1. Purpose of Adoption and Scope of Application

This principle is to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. The Principles shall apply to its business groups and organizations which comprise the Company's subsidiaries, any foundation constituted as a juristic person to which the Company's direct or indirect accumulated contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("business group").

Article 2 Prohibition of Unethical Conduct

When engaging in commercial activities, directors, supervisors, managers, employees or persons having substantial control over the Company ("Substantial Controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits, nor commit unethical acts including breach of the principle of good faith, illegal acts, or breach of fiduciary duty (collectively "Unethical Conduct") for purposes of acquiring or maintaining Benefits. The opposite parties of the Unethical Conduct referred to in the preceding paragraph include civil servants, political candidates, political parties or their members, state-run or private-owned businesses or institutions and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Article 3 Types of Benefits

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 Legal Compliance

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/GTSM-listing related rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 Policies

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create

an operational environment for sustainable development.

Article 6 Commitment and Execution

The Company and the respective business group shall clearly specify in the rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 7 Engaging in Commercial Activities under Ethical Corporate Management Policies

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the Company shall take into consideration the legality of the agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved. When entering into contracts with other parties, the Company shall include in such contracts requiring compliance with demanding ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or cancel the contracts.

Article 8 Prohibition of Offering and Accepting Bribes

When conducting business, the Company and the directors, supervisors, managers, employees, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits including rebates, commissions, facilitation payment or in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. But matter which is compliance with laws and regulations of the places where the Company and its business groups and organizations operate shall be excluded.

Article 9 Prohibition of Offering Illegal Political Donations

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees, and substantial controllers shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 10 Prohibition of Improper Charitable Donations or Sponsorship

When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 11 Prohibition of Unjustifiable Presents, Hospitality or Other Improper Benefits

The Company and its directors, supervisors, managers, employees, and substantial controllers shall not directly or indirectly offer or accept any unjustifiable presents, hospitality or other improper Benefits to establish business relationship or influence commercial transactions.

Article 12 Organization and Responsibility

The Company's board of director shall exercise the due care of good administrators in urging the Company to prevent Unethical Conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. To achieve sound ethical corporate management, the internal audit office shall be in charge of enactment of the ethical management policy, the prevention of the Unethical Conduct, the execution and supervision of the ethical management, and report to the board of directors periodically.

Article 13 Legal Compliance for Conducting Business

The directors, supervisors, managers, employees, and substantial controllers of the Company shall comply with laws and regulations and the prevention programs when conducting business.

Article 14 Avoiding Conflicts of Interest of Directors, Supervisors and, Managerial officers

The Company shall establish regulations for preventing conflicts of interest, and offer appropriate means for directors, supervisors and managers to voluntarily explain whether the interests would potentially conflict with those of the Company.

The directors of the Company shall be highly self-disciplined, when attending or present at the board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, shall state the important aspects of the stake in the meeting. Such person shall be prohibited from discussing and participating in voting on any proposals if there is likelihood that the interests of the Company would be prejudiced, shall recuse himself or herself from any discussion and voting, and shall not exercise voting rights as proxy on behalf of another director. The directors shall exercise self-discipline and should not support one another in improper ways. The Company's directors, supervisors and managers shall not take advantage of their positions or influence in the Company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

Article 15 Accounting and Internal Control

The Company shall establish effective accounting systems and internal control systems for business activities which may be at a higher risk of being involved in an

unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors.

Article 16 Operational Procedures and Guidelines

The operational principles and rules established by the Company for the prevention of Unethical Conduct shall specifically regulate the rules of business conduct for the Company's directors, supervisors, managers, employees, and substantial controllers. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 17 Training and Reviews

The Company shall periodically organize training or awareness programs for its directors, supervisors, managers, employees and substantial controllers to have them fully understand the Company's resolution to implement the Principles and the consequences of committing Unethical Conduct. The Company shall combine the Principles with its employee performance evaluation system and human resource policies to establish a clear and effective reward and punishment system.

Article 18 Whistleblowing and Punishment

The Company shall provide the appropriate channel for whistleblowing and keep confidential the identity of the person who reports such violation and the report's content.

and shall investigate and deal with such report actively. If any violation of the Principles is confirmed, a disciplinary action will be imposed depending upon the nature and degree of such violation. The Company shall adopt and publish a

well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 19 Disclosure of Information

The Company shall disclose the status of the enforcement of the Principles on its company website, annual report and public prospectus.

Article 20 Review and Amendment to the Principles

The Company shall monitor the development of relevant local and international regulations concerning ethical corporate management from time to time, and encourage its directors, supervisors, managers and employees to make suggestions so as to review and improve the Principles and achieve better results from implementation.

Article 21 Enforcement

The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.