




AIRTAC INTERNATIONAL GROUP

**Ethical Corporate
Management
Best Practice Principles**

Doc. No. **AO-GM-MR-011**
Version **B-1**

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1. Purpose

To establish corporate culture of ethical management and sound development and offer a reference framework for good commercial practices, the Company hereby promulgates the Ethical Corporate Management Best Practice Principles (the “**Principles**”).

2. Scope of Application

The Principles applicable to the business groups and organizations (the "**Business Group**") of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of fund exceeding 50% of the total funds received and other institutions or juridical persons which are substantially controlled by the Company.

3. Unit-in-Charge

3.1 General Administration Department: In charge of promulgation, amendment and promotion of the Principles.

4. Definition

4.1 “**Benefits**”: 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 that do not adversely affect specific rights and obligations shall be excluded.


5. Procedures

None.

6. Content

6.1 Prohibition of Unethical Conduct

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

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6.1.2 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.


6.1.3 When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the Company or persons having substantial control over the Company (the "**Substantial Controllers**", directors, supervisors, managers, employees, and mandataries of the Company or persons having substantial control over the Company collectively called the "**Members of the Company**") shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (the "**Unethical Conduct**") for purposes of acquiring or maintaining Benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or Substantial Controllers or other interested parties.

6.1.4 When conducting business, the Company and the Members of the Company may not directly or indirectly offer, promise to offer, request, or accept any improper Benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

6.1.5 The Company and the Members of the Company shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

6.1.6 The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, manipulate bids, establish output restrictions or quotas, or share or divide markets by allocating customers,

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suppliers, territories, or lines of commerce.

6.1.7 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and the Members of the Company shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

6.1.8 When making or offering donations or sponsorship, the Company and the Members of the Company shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.


6.1.9 The Company and the Members of the Company shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper Benefits to establish business relationship or influence commercial transactions.

6.2 Prevention Programs

6.2.1 Preventing Conflicts of Interest of Directors, Supervisors and Managers

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from Unethical Conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

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The Members of the Company 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 persons.


6.2.2 The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training and awareness programs for the Members of the Company and invite the Company commercial transaction counterparties so they understand the Company resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing Unethical Conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

6.2.3 The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:


1. A mailbox established to allow company insiders and outsiders to submit reports.
2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.

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6. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

- 6.2.4 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.
- 6.2.5 The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.
- 6.2.6 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view of achieving better implementation of ethical management.
- 6.2.7 In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and the Members of the Company shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging

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the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

6.3 Commitment and Execution


6.3.1 The Company and the Business Group shall clearly specify in their 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.

6.3.2 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 their 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 their agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with 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 rescind the contracts.

6.3.3 The Members of the Company shall exercise the due care of good administrators to urge 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 Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention


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programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent Unethical Conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for Unethical Conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

6.3.4 The Company shall establish effective accounting systems and internal control systems for business activities possibly 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. The internal audit unit may engage a certified public

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accountant to carry out the audit, and may engage professionals to assist if necessary.

6.3.5 The Members of the Company shall comply with laws and regulations and the prevention programs when conducting business.

6.4 Promulgation, Amendment and *Mutatis Mutandis*

6.4.1 The Principles shall be implemented and amended after the board of directors grants the approval. When the Principles are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservation about any matter, it shall be recorded in the minutes of the meeting of the board of directors; unless there is some legitimate reason to do otherwise, the independent director who cannot attend the board meeting in person to express objection or reservation shall provide a written opinion prior to the board meeting, and the opinion shall be specified in the minutes of the meeting of the board of directors.

6.4.2 The provisions regarding supervisors in the Principles shall apply *mutatis mutandis* to the audit committee members.

7. Related Rules

None.

8. Exhibits

None.