



X-LEGEND Entertainment Corp.

Corporate Governance Best-Practice Principles

Date of Preparation: 2012/04/23

Date of Revision: 2015/03/09

Date of Revision: 2016/12/19

Chapter I General Provisions

Article 1: In order to found the excellent corporate governance system of the Company, the Principles are enacted and disclose through the Market Observatory Post System (MOPS) in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2: In order to establish the Company's corporate governance system, the Company shall comply with laws and Articles of Incorporation, and relevant requirements, apply the following principles:

1. Protect shareholders' equity.
2. Enhance the functions of the board of directors.
3. Exercise of supervisors' functions.
4. Respect interest party's interest and right.
5. Upgrade the transparency of information.

Article 3: The Company shall, in accordance with the Criteria Governing Establishment of Internal Control Systems by Public Companies, consider the overall operational activities of the Company and its subsidiaries, design and fully implement an internal control system, and shall conduct continuing reviews of the system, to adapt to changes in its internal and external environment and to ensure sustained design and operating effectiveness of the systems.

Unless with the competent authority's approval, the enactment of or amendment to internal control system shall be subject to resolution of the board of directors. The independent directors' specific opinions of assent or dissent and the reasons for dissent, if any, shall be included in the minutes of the board of directors' meeting.

The Company shall carry out the self-assessments under the internal control system. The board of directors and management shall review various units' self-assessments reports and audit unit's audit report at least each year on a quarterly basis, and the supervisors shall also pay attention to and supervise the same. The Company is



advised to establish channels and mechanisms of communication between their independent directors, supervisors, and chief internal auditors. The directors and supervisors shall hold discussions with internal auditors periodically about deficiencies of the internal control system for improvement. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors.

The management shall value the internal audit units and personnel and grant them full power, urge them to check and evaluate the deficiencies of the internal control system and measure the operating efficiency, to ensure that the system may be implemented effectively and sustainably, and to help the board of directors and management perform their duties and fulfill the corporate governance system.

In order to fulfill the internal control system, enhance the competency of internal auditors' agents and upgrade and maintain the quality of audit and implementation result thereof, the Company shall delegate the proxies of internal auditors. The proxies shall also have the legal qualifications for an auditor.

Article 4: 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.



Section 1 Encourage shareholders to participate in the corporate governance

Article 5: 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 the corporate governance system which may ensure that the shareholders may have full knowledge of the Company's major events and may participate and decide the corporate governance system pursuant to laws.

Article 6: The Company shall call a shareholders' meeting in accordance with the Company Law and relevant laws, and define the well-founded parliamentary rules thereof. Any motions resolved by the shareholders' meeting shall be executed in accordance with the parliamentary rules strictly.

Any resolutions made by the shareholders' meeting shall comply with the laws and Articles of Incorporation.

Article 7: The board of directors shall arrange the agenda and parliamentary procedure of the shareholders' meeting 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.

The shareholders' meeting shall assign reasonable intervals for discussion about various motions and provide shareholders with the chance to deliver their speech.

The shareholders' meeting called by the board of directors 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 8: The Company shall encourage shareholders to participate the corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders meeting matters, so that the shareholders can proceed on a legal, effective and secure basis. The Company shall apply various approaches and methods and also the technological information disclosure and voting method, and is advised to upload



notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently in order to enhance shareholders' attendance ratio and ensure that shareholders may exercise their right as shareholders at the shareholders' meeting.

The Company shall not discriminate toward the souvenirs awarded to shareholders, if any.

Article 9: The Company shall record in the minute of shareholders' meeting the year, month, day and place of the meeting, name of the chairperson of the meeting, methods to make resolutions, gist and result of the parliamentary procedure, in accordance with the Company Law and relevant laws. For election of directors/supervisors, the approach to vote and votes for elected directors/supervisors shall be specified.

The shareholders meeting minutes shall be maintained permanently when the Company is surviving, and fully disclosed on the Company's website, if any.

Article 10: The chairperson of shareholders' meeting shall have full knowledge of and comply with all parliamentary rules defined by the Company, and keep the agenda move successfully, but shall not adjourn the meeting arbitrarily.

In order to protect major shareholders' equity, where the chairperson adjourn the meeting in violation of the parliamentary rules, the other board members shall help the present shareholders elect one among them as the chairperson subject to a majority of the voting rights represented by the present shareholders pursuant to statutory procedure, and continue the meeting.

Article 11: The Company shall value shareholders' right to be informed, and make the information about the Company's financial position, operation position, shares held by insiders and corporate governance available to shareholders at the Market Observatory Post System or the website installed by the Company, from time to time, in accordance with the information disclosure requirements.

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

To protect its 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 12: Shareholders shall be entitled to share the Company's earnings. In order to ensure the shareholders' equity, the shareholders' meeting may audit the account books and records prepared by the board of directors, and supervisor audit report, and resolve the motion for allocation of earnings or covering of loss. The shareholders' meeting may appoint an inspector to conduct said audit.

Shareholders may petition the court to appoint the inspector to audit the Company's accounts and property in accordance with Article 245 of the Company Law.

The board of directors, supervisors and managerial officers shall work with the inspector during the audits referred to in the preceding two paragraphs, and be prohibited from interfering with, refusing or evading the audit.

Article 13: The Company shall follow the relevant laws and regulations when acquiring or disposing of assets, granting loans and making endorsements/guarantees, and shall define the relevant operating procedures and submit the motion for such procedures to a shareholders' meeting for resolution to maintain shareholders' interest and right.

Where the Company is involved in a merger, acquisition or public tender offer, the management shall follow the relevant laws and regulations, and also 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 note the information disclosure requirements and the soundness of the company's financial structure thereafter.

The Company's personnel dedicated to the work referred to in the preceding paragraph shall note the conflict of interest and avoidance thereof.

Section 2 Establishing a Mechanism for Interaction with Shareholders

Article 14: In order to ensure the shareholders' equity, the Company shall delegate dedicated personnel to deal with the suggestions, questions and dispute raised by shareholders.

Where any resolution made by the Company's shareholders' meeting or directors meeting is against laws or Articles of Incorporation, or any director, supervisor or managerial officer performs duty against laws or Articles of Incorporation and thereby injures the shareholders' equity, the Company shall be careful with dealing with the legal action initiated by any shareholder pursuant to laws.

It is advisable that the Company adopts 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 its internal control system for management purposes.



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.

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, in order to gain shareholders' support.

Section 3 Corporate governance relationship between the Company and affiliates

Article 15: The Company shall clearly identify the objectives and the division of authority and responsibilities of personnel, assets and finance between the Company and affiliates, and shall properly carry out the risk assessment and establish adequate firewall.

Article 16: The Company's director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

Article 17: The Company shall establish the well-founded financial, business and accounting management objectives and system in accordance with the relevant laws and regulations, and conduct an overall risk assessment on the correspondent banks, customers and suppliers with its affiliates, and perform necessary control mechanism, in order to mitigate the credit risk.

Article 18: Where the Company has business trading with any of its affiliates, it shall define the written operating procedures for the relevant financing and operating activities. The Company shall expressly define the pricing and payment conditions, and stop any non-arm's-length transaction.

The transactions or conclusion of contracts between the Company and related parties and shareholders, shall apply the principles referred to in the preceding paragraph, and conveyance of unjust interest is strictly forbidden.

Article 19: The corporate shareholders over which the Company has control shall comply with the following requirements:

1. To be obligated to be honest with the other shareholders, and prohibited from having



- the Company engaged in non-arm's-length transactions or other unjust interest business directly or indirectly.
2. Their representatives shall comply with the relevant regulations governing exercise of rights and participation in resolution as defined by the Company, and shall exercise their voting rights and fulfill the loyalty and due diligence to be paid by a director based on the ethical principles and for maximum shareholders' interest.
 3. The nomination of independent directors shall comply with the relevant laws and Articles of Incorporation, and be prohibited from going beyond the functions of shareholders' meeting and directors' meeting.
 4. Prohibited from interfering with the Company's policy or business activities inadequately.
 5. Prohibited from restricting or hindering the Company's production & operation in such unfair competition as monopolized procurement of block of sale 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 20: The Company shall control the name list of major shareholders who hold larger shareholdings and have control over the Company and the ultimate holders of such shareholders, from time to time.

The Company shall periodically disclose the information about pledge, increase or decrease of the Company's shares of the shareholders who hold more than 10% of the Company's shares, or any other important events which might cause changes of the shares, to help the other shareholders' supervision.

The major shareholders referred to in Paragraph 1 mean the shareholders who own 5 percent or more of the total issued shares or whose shareholding percentage is among the top ten of all the shareholders, provided that the Company may set lower shareholding percentage subject to the shareholdings by their actual holders.

Chapter III Enhance the functions of the board of directors

Section 1 Structure of Board of Directors

Article 21: The Company's board of directors shall direct company strategies, supervise the management, and be responsible to the Company and the shareholders. The various operations and arrangements about corporate governance system shall ensure that the



board of directors shall exercise the power in accordance with laws, Articles of Incorporation or resolutions made by a shareholders' meeting.

The structure of the Company's board of directors shall decide 5 or more director seats based on the Company's business development scale and the shareholdings of its major shareholders and by taking the operational needs into consideration.

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.

The board members shall have the knowledge, competence and qualification required to meet their duties. In order to achieve the idealistic objective of corporate governance, the board of directors shall have the following capabilities:

1. Capability to judge the operation.
2. Capability to analyze accounting and finance.
3. Utility.
4. Capability to manage risk.
5. Industrial knowledge.
6. Global view on market.
7. Leadership.
8. Capability to make decision.

Article 22: The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, define the fair, just and open procedure for election of directors, encourage shareholder participation, and apply the accumulated voting system in accordance with the Company Law to reflect shareholders' opinion.

No relationship of spouses and relatives by blood within the second degree of kinship shall exist among more than a half of the Company's directors.

Where any director is discharged with causes and the directors are less than five seats, the Company shall fill the vacancy by reelection at the most recent shareholders' meeting. Nevertheless, if the vacancy amounts to one-thirds of the seats defined in the Articles of



Incorporation, the Company shall call a special shareholders' meeting to reelect the directors within 60 days upon occurrence of the situation.

The percentage of shareholdings of all the directors shall comply with laws. The restrictions, creation or relieve of pledge on each director's transfer of shares, and changes thereof shall be fully disclosed as required.

Article 23: Before calling the shareholders' meeting to reelect directors, the Company shall first review the qualifications, education background and past work experience of the director candidates recommended by shareholders or the board of directors and whether they are not under any of the circumstances set forth in Article 30 of the Company Law, and the company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the review results to shareholders for reference and help them elect competent directors.

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 24: The job responsibilities of the Chairman of Board and president of the Company shall be defined expressly.

The chairman and president shall not be assumed by the same person. If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased.

The Company with a functional committee, the responsibilities and duties of the committee shall be clearly defined.

Section 2 Independent director system

Article 25: According to the Company's Articles of Incorporation, the directors shall include no less than two independent directors, and the number of independent directors shall be no less than one-fifths of the director seats.

Independent directors shall possess professional knowledge and at least one of them shall be specialized in accounting or finance. 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. They 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 adopt the candidate nomination system for election of independent directors according to Article 192-1 of the Company Law, and the adoption of such system shall be expressly stipulated in the Articles of Incorporation of the Company; and the shareholders shall elect the independent directors from the name list of candidates. The independent directors and non-independent directors shall be elected altogether in accordance with Article 198 of the Company Law. The number of the elected shall be calculated separately.

Independent directors and non-independent directors shall not switch their identity during their term of office.

Where any independent director is discharged with causes and the independent directors are less than the number referred to in Paragraph 1 or Articles of Incorporation, the Company shall fill the vacancy by reelection at the most recent shareholders' meeting. If any independent director is discharged, the Company shall call a special shareholders' meeting to reelect the independent director within 60 days upon occurrence of the situation.

The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be governed by the Securities and Exchange Act, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and the rules of the Taiwan Stock Exchange Corporation.

Article 26: The Company shall be submitted to the board of directors for resolution as provided in the Securities and Exchange Act. The independent directors' specific opinions of assent or dissent and the reasons for dissent, if any, shall be included in the minutes of the board of directors' meeting:

1. Establishment of or amendment to 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 operating 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/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. Appointment or dismissal of a CPA, or the remuneration to the CPA.
 8. Appointment or discharge of a financial, accounting, or internal audit officer.
 9. Annual financial statements, semi-annual financial statements and quarterly financial statements.
 10. Any other material matter so required by the competent authority or the Company.
- With the exception of subparagraph 9, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of the whole board members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution shall be recorded in the minutes of the directors meeting.

Article 27: The Company shall expressly define the independent directors' job responsibilities and grant him the human resources and supplies required by him to exercise his authority.

The Company or the other board members shall not restrict or prevent the independent director performing his duties.

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, supervisor, and employee compensations, and the Company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

Section 3 Functional committees

Article 28: In order to well-found the supervision function and enhance the management mechanism, the board of directors may establish various functional committees, in



consideration of the Company's scale and type of operations and the number of the board of directors members, and based on the concept about corporate social responsibility and sustainable operation.

The functional committees shall be responsible to the board of directors, and submit all motions to the board of directors for resolution.

The functional committees shall define their own articles of association to be subject to approval of the board of directors. The articles of association shall include the number of committee members, term of office, authority, parliamentary rules, and resources to be provided by the Company when they exercise their authority.

Article 29: The Company shall establish a remuneration committee consisting of no less than three members, including independent directors, and one of them shall act as the convenor and chairperson of the committee meeting. The members' professional qualifications, exercise of power, and enactment of the articles of association and related matters of the Committee shall be governed by 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.

Remuneration Committee shall propose the remuneration policy toward the Company's directors, supervisors and managerial officers to the board of directors. 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:

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 powers referred to in 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 officers 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 30: 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 whistleblowers' reporting 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.

Section 4 Evaluation of external auditor and appointment of competent attorney-at-law

Article 31: To improve the quality of its financial reports, company shall establish the position of deputy to its 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 retain a professional, responsible and independent external auditor to audit the Company's financial position and internal control periodically. The Company shall discuss and correct any extraordinary situation or deficiency disclosed by the external audit in the process of auditing the Company, based on the comments on correction or prevention proposed by the auditor. It is advisable that the company establish channels and mechanisms of communication between the independent directors, the supervisor or audit committee, 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 retained by the Company periodically (at least once per year). In the event that the company engages the same CPA without replacement for 7 years consecutively, or the CPA meets any circumstances under which it shall be punished or which injures its independence,



the Company shall evaluate whether it is necessary to replace the CPA, and submit the result to the board of directors.

Article 32: The Company shall retain competent and professional attorney-at-law to provide the Company with adequate legal advice, or help the board of directors, supervisors and management enhance their legal accomplishments to prevent the Company and relevant staff from violating laws and regulations and urge the Company's corporate governance to operate under the relevant legal framework and statutory procedure. In the case of any legal action involved by the director, supervisor or management because of performing their duties pursuant to laws or any dispute arising between shareholders, the Company may retain an attorney-at-law to provide assistance, if necessary.

The supervisor or independent director may conduct audit or provide advice on the issues related to exercise of power on behalf of the Company's attorney-at-law, CPA or other professional personnel, at the Company's expenses.

Section 5 Parliamentary rules for directors' meeting and decision-making procedure

Article 33: The Company's board of directors shall call the directors' meeting at least once per quarter, and may call the meeting at any time whenever it is urgent. In calling a board of directors meeting, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director, supervisor and attendee no later than 7 days prior to the scheduled meeting date and sufficient information about the meeting shall be sent together with the notice. Where the information about the meeting is insufficient, the directors shall be entitled to ask for sufficient information or postponement of the review upon resolution of the board of directors.

The Company shall define the parliamentary rules for the directors' meeting. The agenda, operating procedure, items to be identified in the minute, public notice and other requirements to be complied with shall be handled in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 34: The directors shall be self-disciplined absolutely, and recuse themselves voluntarily. 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 directors may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. All of the directors shall be self-disciplined and prohibited from providing inadequate support to each other. The circumstances under which the directors shall recuse themselves shall be defined in the parliamentary rules for the directors' meetings.

Article 35: Each independent director of the Company shall attend in person any meeting concerning a matter that requires a resolution by the board of directors under Article 14-3 of the Securities and Exchange Act, or shall issue a written opinion in advance to be recorded in the meeting minute or appoint another independent director as his proxy, but shall not appoint a non-independent director as his proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes.

Where there is any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing, it shall be stated in the meeting minutes and filed on the MOPS before the beginning of trading hours on the first business day after the date of the board meeting.

In the process of a directors' meeting, the Company may notify the managerial officers other than directors from the relevant unit to attend the meeting, subject to the contents of the motion, to report the Company's overview of business and answer to the questions posed by directors. If necessary, the Company may invite the CPA, attorney-at-law or other professional personnel to attend the meeting to help directors verify the Company's status and make adequate resolutions, provided that they shall leave the meeting when deliberation or voting takes place.

Article 36: The parliamentary personnel of the Company's board of directors shall truly record the meeting minute and memo of each motion, method to make resolutions, and results in accordance with the relevant requirements.

The meeting minute shall be signed or sealed by the chairperson and record taker of the meeting and distributed to each director and shareholder within 20 days after the meeting. The attendance book shall constitute a part of the minute and be included into the Company's important files to be maintained permanently when the Company is surviving.



The production and distribution of the minute may be carried out by electronic transmission.

The entire process of a directors' meeting shall be sound recorded or videotaped and shall be archived for at least five years, and maintained in electronic form.

If prior to expiration of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a board of directors meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded, and the requirements referred to in the preceding paragraph shall not apply.

Where a board of directors meeting is held via video conference, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be maintained permanently.

Where any resolution adopted by the board of directors is against laws, Articles of Incorporation, or resolutions made by a shareholders' meeting, thereby causing loss or damage to the Company, all directors taking part in the adoption of such resolution shall be liable to compensate the company for such loss or damage; however, those directors whose disagreement appears on record or is expressed in writing shall be exempted from liability.

Article 37: The Company shall submit the following motions for discussion by the board of directors:

1. Business plan.
2. Annual financial statements, semi-annual financial statements and quarterly financial statements.
3. Establishment of or amendment to the 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, of operating 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.
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 laws and regulations, or Articles of Incorporation to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.

In addition to the motions to be submitted to a directors' meeting for discussion referred to in preceding paragraph, where the board of directors authorizes the chairman of board to exercise the power on behalf of the board of directors according to laws, Articles of Incorporation or internal control system at the time of adjournment of directors' meeting, the level, contents or subjects of the power shall be defined specifically, and no general power may be granted. Notwithstanding, any motion involving the Company's material interest shall still be subject to the resolution of the board of directors.

Article 38: The Company shall assign the resolutions made by the board of directors to competent execution unit or personnel and ask them to execute the resolutions based on the schedule and objective, and include the execution into the follow-up management to appraise the performance on the execution.

The board of directors shall control the progress of execution completely, and report at the next meeting to help fulfill the business policy made by the board of directors.

Section 6 Directors' loyalty and due diligence

Article 39: The board members shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company. They shall exercise their powers in a highly self-disciplined and discreet manner and carry out the Company's business according to the resolutions made by a directors' meeting, unless the business shall be subject to the resolution made by a shareholders' meeting pursuant to laws or the Articles of Incorporation.

The board of directors shall consider carefully any resolutions involving the Company's business development and important decision making, which shall not affect the promotion and operation of the Company's corporate governance.

The board of directors shall formulate rules and procedures for board of directors' performance, functional committees and individual directors in the form of self-assessment, peer assessment, and assessment by the professional organization by contract, or in any other adequate manners, on a yearly basis.



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 40: Where any resolution made by the board of directors is against laws or the Articles of Incorporation and any shareholder who continues to hold shares for more than one year or any independent director asks to notify the board to suspend executing the resolution, the board members shall deal with it or suspend executing the relevant resolution immediately.

Where the board members find that the Company is likely to suffer material damage, they shall comply with the requirements referred to in the preceding paragraph and report the same to the independent directors or supervisors immediately.

Article 41: The Company is advised to purchase the liability insurance for directors during their tenure against the indemnity to be borne by them in the scope of business carried out by them, in order to reduce and mitigate the risk over material damage caused to the Company and shareholders due to shareholders' fault or negligence.

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 42: The board members shall continue to attend the continued education programs covering the subject of corporate governance, related to finance, risk management, business, commerce, accounting, law or corporate social responsibilities, organized by the entities designated under the Guidelines for Promotion of Continued Education of Directors/Supervisors of TWSE/GTSM Listed Companies when they are elected or during their term of office, and then order the employees at various levels to enhance their expertise and knowledge about laws.

Chapter IV Supervisor's exercise of functions

Section 1 Supervisor's functions

Article 43: The Company shall define the fair, just and open procedure for election of supervisors, and apply the accumulated voting system in accordance with the Company Law to reflect shareholders' opinion.

The Company shall take the entire operating need into consideration, and set the minimum supervisor seats in accordance with the rules of TWSE.

The percentage of shareholdings of all the supervisors shall comply with laws. The restrictions, creation or relieve of pledge on each supervisor's transfer of shares, and changes thereof shall be fully disclosed as required.

Article 44: The Company shall state in its Articles of Incorporation that the election of supervisors shall apply the candidate nomination system according to the Company Law, and shall first review the qualifications, education background and past work experience of the supervisor candidates recommended by shareholders or directors and whether they are not under any of the circumstances set forth in Article 30 of the Company Law, the Company may not arbitrarily add requirements for documentation of other qualifications, and also provide the review results to shareholders for reference and help them elect competent supervisors.

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 45: Unless with approval of the competent authority, no relationship of spouses and relatives by blood within the second degree of kinship shall exist for one or more seats among the



Company's supervisors or between supervisors and directors.

The Company shall refer to the requirements about independence defined in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies to elect competent supervisors and enhance the control over the Company's risk management, finance and operation.

The supervisors shall have residence domestically to help them exercise their power as supervisors in a timely manner.

Section 2 Supervisor's power and obligation

Article 46: Supervisors shall be familiar with the relevant laws and understand the directors'

obligation, liability and rights, as well as various units' functions and operations, and shall attend the directors' meeting to supervise its operation and state his opinion in a timely manner to control or discover any extraordinary situation in advance.

Where the Company shall set aside special reserve separately pursuant to the Articles of Incorporation, resolutions made by shareholders' meeting or competent authority's order, it shall set aside the same after provision of legal reserve and before distribution of remuneration to directors and employee bonus, and shall state in the Articles of Incorporation the method to distribute earnings when the special reserve is reversed into undistributed earnings.

Article 47: Supervisors shall supervise the Company's business and performance of duties by directors and managerial officers, and shall pay attention to the status of the Company's internal control system to mitigate the Company's financial crisis and operational risk.

When any director engages in trading with, borrowing loan from or doing any juristic act with the Company for himself or another person, the supervisor shall act on behalf of the Company.

Article 48: Supervisors may investigate the Company's business and financial positions at any time.

The Company's relevant units shall work with the supervisors and provide them with the books and records upon the supervisors' request.

The supervisors may audit the Company's finance and business on behalf of the attorney-at-law or CPA retained by the Company, provided that the Company shall advise the relevant personnel of the non-disclosure obligation.

The directors or managerial officers shall submit reports upon supervisors' request, and are prohibited from interfering with, evading or refusing the supervisors' audit with any



excuse.

When the supervisors perform their duties, the Company's relevant units shall provide necessary assistance upon the supervisors' request at the Company's reasonable expenses.

Article 49: In order to help the supervisors find the potential abuses in the Company, the Company shall establish the communication channel between employees, shareholders and stakeholders and supervisors.

Upon awareness of any abuses, the supervisors shall take adequate actions to prevent the abuses from expanding, and shall report the same to the competent authority or entity if necessary.

The supervisors shall verify the root cause for resignation or replacement of any of the Company's independent directors, president and financial, accounting, R&D and internal audit executive officers, or CPA, if any.

Where the supervisor fails to perform his duties and thereby causes damage to the Company, he shall be liable for the damages to the Company.

Article 50: When the supervisors exercise their powers respectively, they may call a meeting to exchange opinion with each other if they deem necessary, in consideration of the entire interest of the Company and shareholders, provided that each supervisor's right to exercise his power independently shall not be hindered.

Article 51: The Company is advised to take out supervisors' liability insurance with respect to liabilities resulting from the exercise of duties during their terms, so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoing or negligence of a supervisor.

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 supervisors, at the next board meeting.

Chapter V Respect interest party's interest and right

Article 52: The Company shall keep the communication channel with the correspondent banks and creditors, employees, consumers, suppliers, communities or any stakeholders of the Company available, and respect and protect their legal interests and rights and shall designate a stakeholders section on its website.



The infringement upon stakeholders' legal interests and rights, if any, shall be dealt with by the Company in good faith.

Article 53: The Company shall provide the correspondent banks and other creditors with sufficient information to help them make judgment and decision toward the Company's business and financial positions. When their legal interest and right are infringed, the Company shall respond to it positively and be responsible for enabling the creditors to seek relief through adequate channels.

Article 54: The Company shall establish the channel for communication with employees, and encourage employees to communicate with the management, directors or supervisors directly to reflect their opinion on the Company's business and financial positions or any important policies involving employees' interest.

Article 55: At the same time when the Company keeps the normal business development and realizes the maximum shareholders' equity, the Company shall also concern about consumers' interest and right, community environmental protection and public welfare, and also the Company's corporate social responsibilities.

Chapter VI Upgrade the transparency of information

Section 1 Enhance information disclosure

Article 56: The Company shall perform its obligation honestly in accordance with laws and the rules of TWSE.

The Company shall set up the online reporting system for information disclosure and designate the dedicated personnel to collect and disclose the Company's information, and also establish the spokesman system to ensure that any messages which might affect the policy about shareholders and interested parties may be disclosed in a timely manner.

Article 57: In order to upgrade the accuracy and timeliness of information disclosure, the Company shall appoint the staff who understand the Company's finance or business or are able to coordinate with various units to provide the relevant information and to speak independently and externally on behalf of the Company to be the Company's spokesman and acting spokesman.

The Company shall delegate more than one acting spokesman. Any acting spokesman



may speak for the Company independently on behalf of the spokesman when the spokesman fails to perform his duty, provided that the proxy priority shall be verified first to avoid doubt.

In order to fulfill the spokesman system, the Company shall expressly the unified speech procedure, and asks the management and employees to keep the financial and business secrets in confidence and refrain from disseminating messages arbitrarily.

Where the spokesman or acting spokesman is changed, please proceed to disclose the information immediately.

Article 58: The Company shall set up its website on Internet and upload the information about the Company's finance and corporate governance for shareholders' and interested parties' reference. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

The website referred to in the preceding paragraph shall be maintained by the dedicated personnel. Any information posted on the website shall be correct and updated from time to time to avoid doubt.

Article 59: The Company shall call the investor meeting pursuant to the rules of TWSE, and the process shall be preserved in the form of sound recording or video recording. The financial and business information about the investor meeting shall be disclosed on the Market Observation Post System, and made available on the Company's website or through any other channels.

Section 2 Disclosure of information about corporate governance

Article 60: The Company shall disclose and update from time to time the information about corporate governance in the year pursuant to the relevant laws and the competent securities authority's requirements.

The Company shall disclose its plan and measure to improve the corporate governance in an adequate manner, subject to the status of the corporate governance.

Chapter VII Bylaw

Article 61: The Company shall note the development in the corporate governance system of domestic and international companies from time to time, so as to review and improve the corporate governance system established the Company to upgrade the effect of corporate governance.



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Article 62: The Principles shall be enforced upon resolution of the board of directors. The same shall apply where the Principles are amended or revoked.