

# **WIN Semiconductors Corp.**

## **Procedures for Acquisition or Disposal of Assets**

### **Chapter I General Principles**

Article 1: This Company's acquisition or disposal of assets should be made in accordance with the following Procedures. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Article 2: The term "assets" as used in these Procedures includes the following:

1. Securities (including stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities).
2. Real property (including land, houses and buildings, and investment property) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article 3: Terms used in this Procedure are defined as follows:

1. Derivatives: refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: refer to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Law.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4. Professional appraiser: refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of the Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Net worth: refers to the balance sheet equity attributable to the owners of the parent company according to the latest financial reports audited or reviewed by the certified public accountants (CPAs).

Article 4: Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. Shall not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Law, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. Shall not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working

papers.

3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

## **Chapter II Disposition Procedures**

### **Section I Establishment of Disposition Procedures**

Article 5: The Company shall establish the procedures for the acquisition or disposal of assets. The procedures shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and then to a shareholders meeting for approval; the same applies when the procedures are amended.

When the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

For matters that discussion and approval of the Audit Committee under the procedures are required, if approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Article 6: The Company specifies the following items in the procedures:

1. The scope of assets: refer to Article 2 of the Procedure.
2. Appraisal procedures:
  - (1) The units responsible for implementation should report the reasons for acquisition or disposition of assets, subject matter, transaction counterparties, transaction price, terms of payment, and appraisal results or evaluation reports etc. to the level in-charge for decision making.
  - (2) The means of price determination:
    - i. In acquiring or disposing real property and equipment: refer to Article 8 in Section 2 of the Procedure.
    - ii. In acquiring or disposing securities:
      - (i) The price of securities trading at a centralized securities exchange market or

at the place of business of a securities firm is determined by its listed price or market price.

(ii) The price of securities not trading at a centralized securities exchange market, at the place of business of a securities firm or at a private placement: refer to Article 9 in Section 2 of the Procedure.

iii. In acquiring or disposing memberships or intangible assets: refer to Article 10 in Section 2 of the Procedure.

iv. Related party transactions: refer to Section 3 of the Procedure.

v. Engaging in derivatives trading: refer to Section 4 of the Procedure.

vi. Assets acquired or disposed of through mergers and consolidations, splits, acquisitions and assignment of shares: refer to Section 5 of the Procedure.

### 3. Operating procedures:

#### (1) Degree of authority delegated and the levels to which authority is delegated

The acquisition and disposition of assets should be decided in accordance with the Company's delegation of authorization and in the following situations, provided, however, the matters shall be approved by the Board of Directors in advance:

i. In acquiring or disposing real property, excluding additions to the buildings and structures.

ii. In acquiring or disposing of securities for any individual transaction, where the transaction amount reaches 10 percent or more of the Company's net worth.

iii. Assets acquired or disposed of through mergers and consolidations, splits, acquisitions, and assignment of shares.

iv. In acquiring of securities (excluding balancing funds, bond funds and money market funds), where the accumulated original costs of securities (excluding balancing funds, bond funds and money market funds) reaches 60 percent or more of the Company's net worth.

v. In acquiring of individual security (excluding balancing funds, bond funds and money market funds), where the accumulated original costs of the security reaches 10 percent or more of the Company's net worth.

vi. In acquiring or disposing of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total

assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(2) The units responsible for implementation

- i. Securities: the finance department.
- ii. Real property, equipment, memberships, intangible assets: the using department or the relevant department in-charge of assets management.
- iii. Derivatives: the finance department.
- iv. Assets acquired or disposed of through mergers and consolidations, splits, acquisitions, and assignment of shares: the project team assembled by the relevant departments.

4. Public announcement and regulatory filing procedures: refer to Chapter III of the Procedure.

5. Total amounts of real property and right-of-use assets and securities acquired by the Company and each subsidiary not for business use in, and limits on individual securities:

- (1) The total amount of any real property and right-of-use assets purchased by the Company not for business use may not exceed 50 percent of the Company's net worth; the total amount of any real property and right-of-use assets purchased by each subsidiary of the Company not for business use may not exceed 50 percent of the Company's net worth.
- (2) The investment limits of securities invested by the Company: total amount that is invested in all securities may not exceed 100 percent of the Company's net worth; the amount that is invested in each individual security may not exceed 80 percent of the Company's net worth.
- (3) The investment limits of securities invested by each of its subsidiaries: total amount that is invested in all securities may not exceed 100 percent of the Company's net worth; the amount that is invested in each individual security may not exceed 60 percent of the Company's net worth.

6. Control procedures for the acquisition and disposal of assets by subsidiaries

- (1) The Company shall urge its subsidiaries to enact the "Procedures for Acquisition or Disposal of Assets" and implement the procedures in accordance with proper authorizations of the organizations.
- (2) The Company shall supervise its subsidiaries to assure the latter's acquisition or disposal of assets are in compliance with the "Procedures for Acquisition or

## Disposal of Assets”.

7. The Company’s persons-in-charge engages in any acquisition or disposal of assets shall follow the Procedures in order to prevent the Company from incurring any losses. Should there be any violation of related regulations or the Procedures. Subsequent castigation is subject to the related personnel guidelines and procedures of the Company.

Article 7: With respect to the Company’s acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company’s procedures or other laws or regulations, the Board of Directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, such objection or reservation shall be recorded in the minutes of the Board of Directors meeting.

Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

## **Section II Acquisition or Disposal of Assets**

Article 8: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company’s paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser’s appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion

regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 9: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 10: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 11: The calculation of the transaction amounts referred to in the preceding three Articles shall be done in accordance with second paragraph of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

### **Section III Related Party Transactions**

Article 13: When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 14: When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and then submitted to the Board of Directors for a resolution:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article.



7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with second paragraph Article 30 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company’s Board of Directors delegate the Chairman of Board of Directors to decide such matters when the transaction is within 10 percent of the Company’s net value and subsequently submitted to and ratified by the next Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.

When a matter is submitted for discussion by the Board of Directors pursuant to the first paragraph, the Board of Directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Article 15: The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party’s transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. “Necessary interest on funding” is imputed as the weighted-average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution’s appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either the means listed in the preceding paragraph.

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property in accordance with the preceding two paragraphs of this Article shall also engage a CPA to check the appraisal and render a specific opinion.

When the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding Article and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 16: When the results of the Company's appraisal conducted in accordance with first and second paragraphs of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division

over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtaining of the right-of-use assets thereof.

Article 17: Where the Company acquires real property or the right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two Articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Audit Committee members shall comply with Article 218 of the Company Law.
3. Actions taken pursuant to preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

#### **Section IV Engaging in Derivatives Trading**

Article 18: The Company engages in derivatives trading shall be in accordance with the following trading principles and strategies:

1. Types of derivatives:

The Company can only engage in derivatives trading for hedging purpose. The mainly type of derivatives are forward contracts and option contracts.

2. Operating or hedging strategies:

Engaging in derivatives trading is to assist the risk management of the Company, and hedging should be the only concern. To avoid credit risk, the trading counterparties shall be those financial institutions that have business relationships with the Company.

3. Segregation of duties:

- (1) The finance department: in charge of derivative trading in accordance with the Procedures shall collect market information from time to time, be familiar with the relative laws, regulations and the skills of trading, periodically calculate the net position deriving from foreign assets against liabilities of the Company, process the hedging in consistent with the Company's strategy and provide information to managing, sales, and purchasing units in time for decision making.
- (2) The accounting department: the derivatives transactions shall be recorded, reported in the financial statements and calculated realized gains or losses and unrealized gains or losses in accordance with Generally Accepted Accounting Principles.
- (3) The auditing department: regularly and non-regularly auditing the derivative transactions in accordance with internal audit system.

4. Essentials of performance evaluation

The finance department shall regularly evaluate net gains or losses and unsettled contract, and report to authorized manager for decision reference and performance

evaluation to correct and improve the strategy.

5. Total amount of derivatives contracts that may be traded and the maximum loss limit on total trading and for individual contracts:

(1) Derivatives trading for hedging purpose:

- i. Total aggregate contract amount: the total amount of derivatives which the Company is capable to take is based on 100% of latest quarterly revenue amounts.
- ii. Capped amount on losses of contracts: the capped amount on losses of each individual contract shall not exceed 10 percent of the specific contract amount, the capped amount on losses of all contracts shall not exceed 30 percent of the total contracts amount. Chairman's approval is required in special circumstances.

(2) Derivatives trading for trading purpose:

The Company shall not engage in derivatives trading for trading purpose.

Article 19: Risk management:

1. Risk management measures are as below:

(1) Credit risk management:

Credit risk is controlled by restricting the counterparties that the Company deals with to those who either have banking relationship with the Company or are internationally renowned and can provide sufficient information.

(2) Market risk management:

Market risk arising from the fluctuations of foreign exchange rates or from other factors shall be closely monitored and controlled.

(3) Liquidity risk management:

Liquidity risk should be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets.

(4) Cash flow risk management:

The Company shall maintain adequate level of quick assets and credit facilities to meet the cash settlement requirement.

(5) Operating risk management:

Delegation systems and operating procedures set forth herein are employed to control operating risk.

(6) Legal risk management:

Any legal documents in respect of financial derivative transactions shall first be reviewed by legal department before being executed to control legal risk.

2. Different personnel shall be assigned for trading, confirmation and settlement.

3. Personnel who are in charge of risk evaluation, monitoring and controlling shall not be in same department as those described in the preceding paragraph, and reporting shall be made to the Board of Directors.
4. The transaction associated with hedging purpose for business requirements shall be evaluated twice per month by finance department, and the evaluation reports shall be submitted to the chairman of the board or the person designated by the chairman of the board.
5. The authorized trader will need to submit hedging objects, types of transaction and details to authorized manager for approval before derivatives trading, and shall report to the most recent Board of Directors meeting.

Article 20: Management principles by the Board of Directors:

1. The Board of Directors shall appoint the chairman of the board or the person designated by the chairman of the board to monitor and control the trading risk of derivatives at all times and periodically assesses whether the result of trading is consistent with the management policy and whether the risk undertaking is within the ambit permitted.
2. Appointed by the Board, the chairman of the board or the person designated by the chairman of the board should be responsible for regularly reviewing the adequacy of the current risk management measures are consistency with the principles and procedures set forth herein. Once having identified unusual transactions and performances, the chairman of the board or the person designated by the chairman of the board needs undertake any actions deemed necessary to correct the situation and report to the Board immediately, an independent director shall be present at the meeting and express an opinion.

Article 21: The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated according to the preceding two Articles in detail in the log book.

Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments according to the Procedures, and to make report on a monthly basis. Should there be any violation found, a written report is needed to notify the independent directors.

## **Section V Merger, Spin-off, Acquisition and Transfer of Shares**

Article 22: The Company that conducts a merger, demerger, acquisition, or transfer of shares, shall, prior to convening the board of directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the

share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 23: The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Companies shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 24: The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the

information.

2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 25: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 26: The Companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger,



acquisition, or transfer of shares from another company, buys back treasury stock.

5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 27: The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 28: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 29: Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 24, Article 25, and the preceding Article.

### **Chapter III Public Disclosure of Information**

Article 30: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
  - (1) When the Company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - (2) When the Company's paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale .
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds.
  - (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 31: Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

## **Chapter IV Miscellaneous**

Article 32: Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by a subsidiary of the company that is not itself a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under the first paragraph of Article 30.

Article 33: For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a foreign subsidiary whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under Articles 8 to 10 and 13, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these Procedures regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 34: Commitment to the ROC Taipei Exchange

1. The Company shall not waive subsequent right(s) of subscribing stock in WIN SEMI. USA, INC. and Win Semiconductors Cayman Islands Co., Ltd. newly issued for the purpose of capital increase. In case any strategic alliance or other waiving of such right that is approved the ROC Taipei Exchange, special resolution of the Board of Directors shall be obtained for waiving the right.
2. Any amendments of the preceding paragraph shall be announced on the Market Observation Post System (MOPS) and reported to the ROC Taipei Exchange.

Article 35: The Procedures shall become effective upon approval by the Audit Committee, and Board of Directors, and be introduced to the shareholders' meeting for the latter's consent. The same applies in case of any revisions.