

Article 1. Purpose: To protect the assets of GEM Services, Inc. (“GEM”) and facilitate information disclosure, the Guidelines and Procedures for Acquisitions and Dispositions of Assets (the “Rules”) are enacted. The acquisitions and dispositions of assets by GEM shall comply with these Rules.

Article 2. Scope of application: GEM and its subsidiaries or branch offices in which GEM has direct or indirect controlling interests shall comply with the Rules.

Article 3. The term "assets" as used in the Rules includes the following:

1. Investments in 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, investment property, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 4. Terms used in the Rules are defined as follows:

1. Derivatives: 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, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers 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 therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.

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 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 conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide GEM with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May 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 Act, 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. May not be a related party or de facto related party of any party to the transaction.
3. If GEM 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 self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting 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 appropriateness 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 appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 6. If the acquisition or disposal of assets by GEM shall be approved by the board of directors in accordance with these procedures or other laws and regulations, the opinions of the independent directors shall be fully considered when submitting to the board of directors for discussion, and any objections or reservations of the independent directors shall be stated in the minutes of the board of directors.

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.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 7. Investment in non-operation related real properties and right-of-use assets or securities

The acquisition of non-operation related real properties and right-of-use assets or investment in securities made by GEM shall be subject to the following limits:

1. For acquisition of non-operation related real property and right-of-use assets, the aggregate amounts shall not exceed 15 percent of the net worth as stated in its latest financial statements.
2. For the investment in long-term and short-term securities, the aggregate amounts shall not exceed 300 percent of the net worth as stated in its latest financial statements.
3. For the investment in any single securities, the aggregate amounts shall not exceed 300 percent of the net worth as stated in its latest financial statements.

The acquisition of non-operation related real properties and right-of-use assets or investment in

securities made by each of GEM's subsidiary shall be subject to the following limits:

1. For acquisition of non-operation related real property and right-of-use assets, the aggregate amounts shall not exceed 15 percent of the net worth as stated in its latest financial statements.
2. For the investment in long-term and short-term securities, the aggregate amounts shall not exceed 500 percent of the net worth as stated in its latest financial statements.
3. For the investment in any single securities, the aggregate amounts shall not exceed 500 percent of the net worth as stated in its latest financial statements.

Article 8. In acquiring or disposing of real property, equipment, or right-of-use assets

1. Evaluation and procedures

- 1) For the acquisition or disposition of real properties and right-of-use assets, an analysis reports shall be prepared, with references to publicly announced current value, appraisal value and actual sales value of nearby real properties, and the resulting terms and conditions of the transaction and transaction prices, and shall be submitted to the general manager and chairman of board of directors. For transaction amount less than 10 percent of the paid-in capital of GEM, approval of the general manager and chairman of board of directors shall be required and for transaction amount equal to 1 percent or more of the paid-in capital of GEM the transaction shall be reported in the next board of directors meeting. For transaction amount equal to 10 percent or more of the paid-in capital of GEM, it shall be approved by the board of directors.
- 2) Acquisition or disposition of equipment and right-of-use assets shall be conducted through either bidding process or price negotiation (following the process of quotation, price comparison and price negotiation). For transaction price less than 10 percent of the paid-in capital of GEM, the transaction shall be approved following delegated authorities. For transaction amount equal to 10 percent or more of the paid-in capital of GEM, the approvals of the general manager and chairman of board of directors and approval of the board of directors shall be required.
- 3) For acquisition or disposition of real properties, equipment and right-of-use assets, the relevant departments and the administrative department shall execute the transaction.

2. Appraisal of real property, equipment or right-of-use assets

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of GEM's paid-in capital or NT\$300 million or more, GEM, unless transacting with a domestic government agency of Republic of China, 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; 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 certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - B. 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.
- 5) Where GEM 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.

Article 9. Acquiring or disposing of securities

1. Evaluation and procedures

- 1) For securities that are traded in active markets or through security houses, the transaction prices shall be determined by the execution department based on market prices. For transaction amounts of NTD 50 million or less, approvals from the general manager and chairman of board of directors shall be required. For transaction amounts more than NTD 50 million, in addition to the approvals from the general manager and

chairman of board of directors, the approval from the board of directors shall be required.

- 2) For securities not traded in active markets or through securities houses, based on the nature of the securities, information such as CPA-audited or CPA-reviewed financial statements, credit rating of the issuing company, coupon rates, annualized yields, etc. shall be provided for the evaluation of the transaction price. Additionally, net worth per share, profitability and future potential of the companies shall also be taken into consideration. For transaction amounts of NTD 50 million or less, approvals from the general manager and chairman of board of directors shall be required. For transaction amounts more than NTD 50 million, in addition to the approvals from the general manager and chairman of board of directors, the approval from the board of directors shall be required.
 - 3) For investment in securities, the finance and accounting department shall be responsible for execution of the investment.
2. Expert opinion
- 1) GEM 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 certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of GEM's paid-in capital or NT\$300 million or more, GEM shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. 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 relevant laws and regulations.
 - 2) Where GEM 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.

Article 10. Acquires or disposes of intangible assets and right-of-use assets or memberships

1. Evaluation and procedures

- 1) For the acquisition or disposition of membership, an analysis report referring to fair market price, transaction conditions and transaction prices shall be prepared and submitted to the general manager and chairman of board of directors. If the transaction amount is equal to or less than one percent of the paid-in capital or less than NTD 5 million, the transaction shall be approved by the general manager and chairman of

board of directors and then submitted to the most recent board of directors' meeting for acknowledgement. If the transaction amount is more than one percent of the paid-in capital or NTD 5 million, after obtaining the approval of the general manager and chairman of board of directors, approval from the board of director shall be required.

- 2) For acquisition or disposition of intangible assets and right-of-use assets, an analysis report referring to expert opinion, fair market price, transaction conditions and transaction prices shall be prepared and submitted to the general manager and chairman of board of directors. If the transaction amount is of less than ten percent of the paid-in capital or NTD 50 million or less, the transaction shall be approved by the general manager and chairman of board of directors and then submit to the most recent board of directors' meeting for acknowledgement. If the transaction amount is ten percent or more of the paid-in capital or more than NTD 50 million, after obtaining the approval of the general manager and chairman of board of directors, approval from the board of director shall be required

For acquisition or disposition of intangible assets and right-of-use assets or membership, after obtaining approval based on delegate authorities, the relevant departments, finance and accounting department, or the administrative department shall be responsible for execution.

2. Expert opinion on intangible assets and right-of-use assets or memberships

- 1) When the transaction amount for acquiring or disposing membership reaches one percent or more of the paid-in capital of GEM or NTD 5 million or more, an expert appraisal shall be provided.
- 2) When the transaction amount for acquiring or disposing intangible assets and right-of-use assets reaches ten percent or more of the paid-in capital of GEM or NTD 50 million or more, an expert appraisal shall be provided.
- 3) Where GEM acquires or disposes of intangible assets and right-of-use assets 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 of Republic of China, GEM shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price, complying with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- 4) Where GEM 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.

Article 11. Calculation of the transaction amounts

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, paragraph 2 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. Related Party Transactions

1. When GEM engages in any acquisition or disposition 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 in compliance with Articles 8, 9, and 10, if the transaction amount reaches 10 percent or more of GEM's total assets, GEM shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with Articles 8, 9, and 10.

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

2. Evaluation and procedures

When GEM 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 GEM's total assets, or NT\$300 million or more, except in trading of domestic government bonds of Republic of China or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises of Republic of China, GEM may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the board of directors:

- 1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 2) The reason for choosing the related party as a transaction 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 subparagraph 1 to 5 of Paragraph 3 of this Article.
- 4) The date and price at which the related party originally acquired the real property, the

original transaction counterparty, and that transaction counterparty's relationship to GEM 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.

With respect to the types of transactions listed below, when to be conducted between GEM and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, GEM's board of directors may pursuant to Article 8, paragraph 1, delegate the board chairman to decide such matters when the transaction amount is less than 10 percent of the paid-in capital of GEM and have the decisions 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, 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.

The matters which requires recognition by audit committee shall first be approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 6, paragraphs 3 and 4.

If GEM or a subsidiary thereof that is not a domestic public company of the Republic of China will have a transaction set out in preceding paragraph and the transaction amount will reach 10 percent or more of GEM's total assets, GEM shall submit the materials in all the subparagraphs of paragraph 2 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between GEM and its parent company or subsidiaries or between its subsidiaries.

3. The calculation of the transaction amounts referred to the preceding paragraph shall be made in accordance with Article 15, paragraph 2 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 shareholders meeting or audit committee and board of directors need not be counted toward the transaction amount.

Evaluation of the reasonableness of the transaction costs

- 1) GEM 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:
 - A. 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 GEM purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - B. 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 transaction counterparties.
- 2) 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 of the means listed in the preceding paragraph.
- 3) GEM that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with subparagraph 1 to 2 of Paragraph 3 shall also engage a CPA to check the appraisal and render a specific opinion.
- 4) Where GEM 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 Paragraph 2 and the preceding three paragraphs do not apply:
 - A. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 - B. 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.

- C. 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 GEM's own land or on rented land.
 - D. The real property right-of-use assets for business use are acquired by GEM with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- 5) When the results of GEM's appraisal conducted in accordance with subparagraph 1 to 2 of Paragraph 3 are uniformly lower than the transaction price, the matter shall be handled in compliance with subparagraph 6 of Paragraph 3. 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, this restriction shall not apply:
- A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - a) Where undeveloped land is appraised in accordance with the means in the subparagraph 1 to 4 of paragraph 3, 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.
 - b) 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.
 - B. Where GEM 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 above-mentioned 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; transactions 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 obtainment of the right-of-use assets thereof.

- 6) Where GEM acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the subparagraph 1 to 5 of paragraph 3 are uniformly lower than the transaction price, the following steps shall be taken:

- A. 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 transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where GEM uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of GEM's equity stake in the other company.
- B. The independent directors of the audit committee shall comply with the provisions of Article 208 of the Company Law.
- C. Actions taken pursuant to the points 1 and 2 subparagraph 6 of Paragraph 3 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

GEM 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.

- 7) When GEM obtains real property or right-of-use assets thereof from a related party, it shall also comply with the subparagraph 6 of Paragraph 3 if there is other evidence indicating that the acquisition was not an arms length's transaction.

1. Trading principles and strategies

1) Derivative types

- A. The derivatives that GEM trades are 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, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- B. For trading bonds on margins, the same Rules outlined in Article 12 apply. Article 12 does not apply to bond repurchase transactions.

2) Operating or hedging strategies

The derivative trading GEM engages in shall be for the purpose of risk hedging. The choice of derivatives shall focus on hedging GEM's operating risks. For currency derivative trading, the types of currencies shall correspond to GEM's actual trading currencies, with the goal of matching the inflow and outflow of trading currencies, to minimize the foreign exchange risks of GEM and hedging costs. For other types of derivatives, trading shall be carefully evaluated before engaging and the approval from the board of directors shall be required.

3) Division of Responsibilities

A. Finance and Accounting Department

a) Trading personnel

- i. In charge of setting the trading strategies.
- ii. The trading personnel shall calculate the positions held every two weeks, collect market intelligence, analyze the trends, assess the risks, set trading strategies and then conduct the trades after obtaining approvals.
- iii. Execute the trades following pre-approvals and preset strategies.
- iv. Whenever there is any significant change in market conditions and the trading personnel decides that the original strategies no longer apply, he/she shall prepare an evaluation report, reset the strategies for trading after obtaining approval from the general manager and the chairman.

b) Accounting personnel

- i. Confirm trade executions.
- ii. Evaluate if trades are conducted following delegated authorities and preset strategies.
- iii. Evaluate positions held and submit a monthly report to the general manager and the chairman.
- iv. Handle accounting treatment.
- v. Prepare public filing and disclosure following regulations.

c) Clearing personnel

Execute clearing of trades

B. Internal audit department

The internal audit department is responsible for assessing the appropriateness of internal controls of derivative trades, conducting audit on if the trading personnel in terms of compliance with the Rules, analyzing the trading cycles, preparing an audit report and submitting to the board of directors when major defects are detected.

4) Delegate authorities on trading derivatives

A. Delegate authorities on hedging trades

Delegate	Daily Trading Limits	Accumulated Net Positions
General manager	US\$1.0M Million and less	US\$2.0M Million and less
Chairman	More than US\$1.0M	More than US\$2.0M

- B. Other specific-purpose trades shall be approved by the board of directors prior to transactions.

5) Performance evaluation

A. Hedge trades

- a) Evaluate by comparing the holding cost of the foreign exchange and the profit / loss of the derivative trades.
- b) To fully control and represent the valuation risks of the trades, GEM evaluates the positions on a monthly basis.
- c) Finance and accounting department shall provide the valuation on the foreign exchange positions held and the trends and market analysis on the foreign exchange for management references and decision-making of the general manager and the chairman.

- B. The evaluation of the trades' performance shall be based on the profit / loss of the

positions held. The accounting personnel shall prepare reports on the positions held for the management's reference.

6) Nominal contract amounts and maximum loss

A. Contract amounts

a) Trade amounts for hedging

Finance and accounting department shall control the positions held by GEM to manage risks. Aggregate hedging trade amounts shall not exceed two thirds of the net foreign exchange positions of GEM and shall not exceed US\$10 million or equivalent in foreign currencies.

b) Specific purpose trades

Based on the anticipations on the markets, prior to executing a trade, the finance and accounting department shall design the trading strategies for specific-purpose trades, submit to the general manager and the chairman and obtain approval from the board of directors. The aggregate trade amounts shall not exceed US\$ 2 million or equivalent in foreign currencies.

B. Maximum loss allowed

a) For hedging trades, there shall be no need for setting the maximum loss allowed

b) For specific purpose trades, after the positions have been created, a stop-loss percentage shall be set. The percentage of loss shall not exceed 5% of the trade amounts and the accumulated loss amounts per annum from all trades shall not exceed 10% of aggregate contract amounts.

2. Risk management measures

1) Credit risk management

Since the market is highly volatile, which creates trading risks, GEM shall follow the following principles when carrying out trades:

A. Counterparty: Mainly reputable domestic and foreign financial institutions.

B. Products: Limited to those provided by the reputable domestic and foreign financial institutions

C. Trade amounts: Unsettled trade amounts with any single counterparty shall not exceed 10% of the total authorized trade limits, with the exception where specific approval from the general manager and the chairman is obtained.

2) Market risk management

Trades shall be conducted through the open foreign exchange markets created by the

banks.

3) Liquidity risk management

To ensure the liquidity of the financial products held, when choosing products, GEM shall focus on those with higher liquidity (could be offset in the market anytime). When choosing financial institutions, GEM shall focus on those with sufficient market information and have the ability to carry out the trades anytime.

4) Cash flow risk management

To ensure the stability of the operating cash flows of GEM, when conducting any derivative trades, GEM shall use “non-borrowed funds”. Additionally, projected cash flows for the next three months shall be taken into consideration when deciding the trade amounts.

5) Operation risk management

Derivative trades shall comply with the delegated authorities and procedures and shall be monitored by internal audits to avoid operation risks.

Personnel in charge of trade execution, confirmation or clearing shall only be in charge of one of the functions at a time

Personnel in charge of assessment, monitoring and control shall belong to different departments. Those personnel shall report to the board of directors or senior management not responsible for trade and position decisions.

Derivatives trading positions held shall be evaluated at least once per week. However, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management authorized by the board of directors.

6) Financial product risk management

The trading personnel shall have complete and correct professional knowledge about the financial products. GEM shall require the banks to fully disclose the product risks.

7) Legal risk

To minimize legal risks, before signing a contract with the financial institution, the documents shall be reviewed by foreign exchange or legal (or legal department) consultants.

3. Internal audit system

The internal audit department is responsible for assessing the appropriateness of internal controls of derivative trades, conducting audit on whether the trading personnel comply with the Rules, preparing an audit report and submitting to the independent directors when

major defects are detected.

4. Regular evaluation methods

- 1) Senior management authorized by the board of directors shall periodically supervise and evaluate whether the derivative trades comply with the Rules and if the risk undertaken is within GEM's permitted scope. When irregular circumstances occur (such as loss on hedge position has exceeded the permitted limit), appropriate measures shall be adopted and a report shall be immediately made to the board of directors.
- 2) Derivatives trading positions held shall be evaluated at least once per week. However, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management authorized by the board of directors.

5. Where engaging in derivatives trading, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles.

- 1) Senior management authorized by the board of directors shall supervise and manage derivatives trading in accordance with the following principles:
 - A. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Rules.
 - B. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors and an independent director shall be present at the meeting and express an opinion.
- 2) Periodically evaluate if the performance of the derivative trades is in line with the management strategy and if the risks undertaken are within GEM's permitted scope.
- 3) When conducting a trade, the authorized personnel shall follow the Rules and afterwards submit a report to the next board of directors meeting.

6. When engaging in derivatives trading, GEM 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 under subparagraph 2 of paragraph 4 and subparagraph 1 to 2 of paragraph 5, of the article shall be recorded in detail in the log book.

Article 14. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

1. Evaluation and procedures

- 1) GEM conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall 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 GEM 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 GEM directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

- 2) GEM 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 subparagraph 1 paragraph 1 of the 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 participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

2. Matters needing attention

- 1) Date of board of directors meeting: A 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 competent authority 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 competent

authority 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:

- A. 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.
- B. 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.
- C. 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 counting inclusively 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.

- 2) Pre-transaction confidentiality undertaking: 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.
- 3) Guidelines for revising the share exchange ratio and acquisition price: They 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:

- A. 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.
 - B. An action, such as a disposal of major assets, that affects GEM's financial operations.
 - C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - F. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 4) Contents of the contract: The contract for participating 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:
- A. Handling of breach of contract.
 - B. 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.
 - C. 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.
 - D. The manner of handling changes in the number of participating entities or companies.
 - E. Preliminary progress schedule for plan execution, and anticipated completion date.
 - F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 5) Changes in the number of participating companies: 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.

- 6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, GEM shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of subparagraph 1, 2, and 5 of paragraph 2 of the article.

Article 15. Public Disclosure of Information

1. Under any of the following circumstances, GEM acquiring or disposing of assets shall publicly announce and report the relevant information on the competent authority designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively 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 GEM's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds of Republic of China or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises in Republic of China.
 - 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 GEM.
 - 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:
 - A. When GEM's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

B. When GEM's paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.

- 5) Acquisition or disposal by GEM in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if GEM has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
 - 6) Where land is acquired under an arrangement on engaging others to build on GEM'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, and furthermore the transaction counterparty is not a related party, and the amount GEM expects to invest in the transaction reaches NT\$500 million.
 - 7) Where an asset transaction other than any of those referred to in the preceding six 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:
 - A. Trading of domestic government bonds of Republic of China or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - B. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes.
 - C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises in Republic of China.
2. The amount of transactions above shall be calculated as follows, and "within the preceding year" 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.

- 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 transaction counterparty within the preceding year.
- 3) The cumulative transaction amount of 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.

3. Procedures for public disclosure

- 1) GEM shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by GEM 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 competent authority by the 10th day of each month.
- 2) When GEM 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.
- 3) GEM acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at GEM, where they shall be retained for 5 years except where another act provides otherwise.
- 4) Where any of the following circumstances occurs with respect to a transaction that GEM has already publicly announced and reported in accordance with the article, a public report of relevant information shall be made on the information reporting website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:
 - A. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - C. Change to the originally publicly announced and reported information.

Article 16. The subsidiaries of GEM shall follow the following Rules

1. If the subsidiary is a public company in Republic of China, it shall establish and implement the "Procedures for Acquisition or Disposal of Assets" in accordance with the regulations.
2. Information required to be publicly announced and reported in accordance with the preceding article on acquisitions and disposals of assets by GEM's subsidiary that is not itself a public company in Taiwan shall be reported by GEM.
3. The paid-in capital or total assets of GEM 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 preceding paragraph.

Article 17. The amount of total assets and paid-in capital is required

1. 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.
2. In the case of GEM 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 these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these Regulations 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 18. Disciplinary actions

Employees of GEM who undertake the acquisition and disposal of assets in violation of the Guidelines for the Handling of Assets Acquired or Disposal by Public Companies or the provisions of these procedures shall be regularly submitted for evaluation in accordance with GEM's personnel management measures and employee handbook, and shall be punished according to the severity of the circumstances.

Article 19. Implementation and Revision

These Procedures and any amendments hereto, shall be implemented after adoption by resolution of audit committee and the board of directors, and reported to the shareholders meeting.

These procedures shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required in the preceding



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paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

When the procedures are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 2 and "all directors" in t paragraph 3 shall be counted as the actual number of persons currently holding those positions.

Article 20. Additional Provisions

If there is certain event not covered by the Rules, it shall be handled following related regulations.