

Guidelines for the Exit Mechanism of Direct Investments of the National Development Fund, Executive Yuan

Reported to the 52nd Management Committee on November 25, 2016

Reported to the 53rd Management Committee on January 26, 2016

Amended at the 57th Management Committee on June 9, 2017

Amended at the 71st Management Committee on December 24, 2017

1. Purpose

These Guidelines are formulated to institutionalize the sale of stock that the NDF invested directly so as to sell the equity of the investment enterprises, to recover funds, and to continuously assist the development of other industries.

2. Principles for Selecting Stocks to be Released

In order to give consideration to policy and investment income, the following principles apply to the selection of shares to be released:

(1) In addition to not meeting the financial purpose of dividend income or other policy significance, the shares of the invested enterprise that have been traded publicly (in TWSE or OTC) shall also meet one of the following criteria:

- A. In principle, the trading price of the stock market shall be higher than the investment cost of the NDF account.
- B. The trading price of the stock market has been lower than the investment cost of the NDF account for three consecutive years.
- C. The aforesaid stock market trading price of the listed company means the average closing price of the previous month when the NDF selects stock to be released in accordance with the relevant principles. The OTC trading price means the average closing price of the previous month when the NDF selects stock to be released in accordance with the relevant principles. The "investment cost of the NDF account" shall be the cost listed in the long-term investment performance statement of the NDF plus or minus the equity or the cumulative adjustment. The cumulative adjustment shall not be calculated if the equity or the cumulative adjustment is the unrealized benefit of the reinvested enterprise.

(2) At the time of investment, the shares of the investment enterprises have been traded on the listed (or OTC) market and have been held by the NDF for one year. In addition to meeting the conditions of non-dividend income financial purpose or no other policy significance, one of the following criteria shall also be met:

- A. In principle, the trading price of the stock market shall be higher than the investment cost of the NDF account.
- B. The trading price of the stock market has been lower than investment cost of the NDF account for three consecutive years.
- C. The definitions of Stock Market Trading Price and Investment Cost in the Account as mentioned above are the same as those in Article 2, Section 1, Item 3.

- (3) The shares of investment enterprises are not traded in the publicly (in TWSE or OTC):
The company has lost money for 5 consecutive years, and the original investment objectives of the NDF have been unable to achieve.
- (4) To cooperate with the policies of the Executive Yuan or the resolutions of the NDF Management Committee.

3. Stock Release Policy Evaluation Meeting

In accordance with the aforesaid principles for selecting stocks to be released, the NDF shall conduct the review annually or as necessary. After the convener has approved the proposed stocks to be released, the proposal shall be submitted to the evaluation meeting for policy review and the implementation order of the stock release.

(1) Items to be considered at the Stock Release Policy Evaluation Meeting:

- A. Necessity of stock release.
- B. Implementation order of the stock release.
- C. The necessity of entrusted appraisal.

(2) Operation mode of Stock Release Policy Evaluation Meeting:

- A. The supervisory vice chairman under the management authority shall convene the Stock Release Policy Evaluation Meeting, and invite the relevant industrial authorities to attend the meeting.
- B. The NDF shall invite the investment enterprises and equity representatives of the NDF to attend the Stock Release Policy Evaluation Meeting to report the company's operation and future development.

4. Stock Release Operation

If the proposed stocks to be released are determined by the Stock Release Policy Evaluation Meeting as not conform to the national industrial development policy, the Stock Release Policy Evaluation Meeting shall determine the priority of share sale and submit it to the Investment Review Committee for consideration of the selling method, the reserve price and the period of selling the stock. The stocks shall be sold in the following manner and submitted to the Management Committee:

(1) Where the shares have been traded publicly (in TWSE or OTC market):

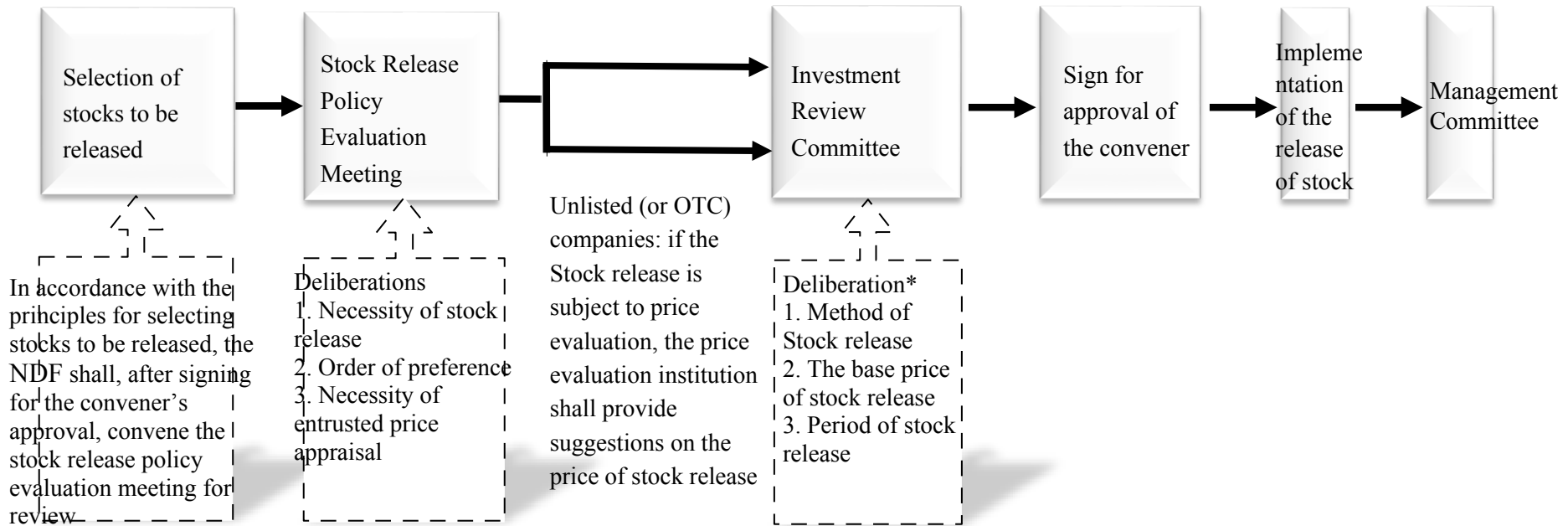
- A. The securities firm selected by the NDF is requested to evaluate the subject of the sale and to provide price recommendations for the sale.
- B. The handling unit shall, in accordance with the method of sale, the base price of stock sale and the period of stock sale as determined by the Investment Review Committee, and with reference to the market price of the stock to be released, sign for the convener's approval of the selling price of the stock before the sale, and implement the stock release afterwards.

(2) Where the shares are not traded publicly (in TWSE or OTC market):

- A. For those stocks to be released that are subject to price appraisal, a professional valuation institution selected by the NDF will conduct the valuation and provide the price proposal for the shares to be sold.

- B. The handling unit shall, in accordance with the method of stock sale, the base price of stock sale and the period of stock sale as determined by the Investment Review Committee, sign for the convener's approval of the selling price of the stock before the sale, and implement the stock release afterwards.
5. The operation process of the exit mechanism of direct investments of the National Development Fund of Executive Yuan is shown in the attached figure.

Listed (OTC) companies:
 Commission Securities firms to
 provide price proposals for stock
 release \ \ \



Operation flow chart of exit mechanism of direct investment of the National Development Fund, Executive Yuan :

*Note: Since the stock trading of the public offering company involves the provisions of the Securities and Exchange Act, the members of the Stock Release Policy Evaluation Meeting and the Investment Review Committee shall sign the confidential statement and be informed of the penalty for insider trading.