



# Taiwan Tea Corporation

## Insider Trading Prevention Regulations

Article 1 To establish a good management system to prevent insider trading, the Company formulated the Regulations in accordance with Article 8 of the “Regulations Governing Establishment of Internal Control Systems by Public Companies” for compliance.

Article 2 Definition of insider trading:

According to Paragraph 1 in Article 157-1 of the Securities and Exchange Act, once any person stated in the subparagraphs under the Paragraph knows any information about a material impact on the price of the stocks of the issuing company, he/she purchases or sells its stocks listed or traded on the Taipei Exchange or the equity-type securities before the information is disclosed or within 18 hours after the disclosure.

Article 3 Constituent element of insider trading:

I. Subject: The regulations prohibiting insider trading shall apply to any persons specified in the subparagraphs under Paragraph 1 in Article 157-1 of the Securities and Exchange Act:

(1) Insider:

1. a director, supervisor, and/or managerial officer of the company, and/or a natural person designated by the government or a juristic person to perform duties as a representative. According to competent authorities' interpretation, a “managerial officer” may be a general manager, deputy general manager, assistant manager or their equivalents, and may also be a financial officer, accounting officer or any other personnel managing affairs for the company or have the authority to sign on behalf of the company; (Subparagraph 1)
2. shareholders holding more than 10% of the shares of the company. (Subparagraph 2)

(2) Quasi-insider:

1. any person who has learned the information because of occupational or controlling relationship:  
a company employee, or a lawyer or CPA appointed by the company to handle relevant affairs, who has learned any material information due to the occupational relationship. A quasi-insider may also be a parent company that has learned any material information of any of its subsidiaries due to the controlling relationship.

According to competent authorities' interpretation, a “person who has learned the information because of occupational

relationship” includes but not limited to any conventional practitioner including lawyers, CPAs or management consultants and generally may be any person who is able to obtain any information that leads to changes in the price of the stocks of the issuing company by taking advantages of his/her job; (Subparagraph 3)

2. a person who, though no longer among those listed in one of the preceding three subparagraphs, has only lost such status within the last six months. (Subparagraph 4)

(3) Tippee: any person who has learned the information from any of the persons named in the preceding four subparagraphs.

II. “Information that has a material impact on the price of stocks”:

The information refers to any information related to the finance and business affairs of the Company, or the supply and demand of the Company’s securities on the market, or public tender of such securities. The information will have a material impact on the price of the Company’s stocks or will have a material impact on a reasonably prudent investor's investment decision. To clarify the standard for identifying material information, competent authorities enacted the “Regulations Governing the Scope of Material Information and the Means of its Public Disclosure” on May 30, 2006.

These Regulations specify the scope for 19 types of material information, including the information relating to any material transaction of public offering and issuance or private placement of equity-type securities, capital reduction, corporate merger, acquisition, or split, share exchange, conversion, or transfer of shares from others, direct or indirect investment project; occurrence of a significant event of internal control-related malpractice, irregular transactions, or defalcation of the Company’s assets; an error or omission in a financial report prepared by the Company, with respect to which relevant regulations require a correction to and further a restatement of the financial report; the situation that the Company’s securities traded on the centralized securities exchange market are subject to an event of bidding, auctioning, material default in settlement, change of the original method of trading, or suspension, limitation, or termination of trading, or that there is any circumstance that may lead to any such event.

III. Knowing possession:

refers to a subject who has learned any material information of the Company, for example, Director Mr. A learns that the board of director adopts the proposal for suspending the business of Company E due to

his attendance at the meeting.

IV. Timing of purchase or sale:

The said Director Mr. A purchases or sells the stocks of Company E after he learned the material information and before disclosure of such information or within 18 hours after the disclosure.

V. Subject of purchase or sale:

including listed, OTC, or emerging stocks, or other equity-type securities such as convertible corporate bonds.

Article 4 Criminal and civil liabilities for illegal insider trading:

1. Criminal liability:

Any person violating the regulations prohibiting insider trading may be sentenced to imprisonment not less than 3 years but not more than 10 years and may also be punished by a fine over NT\$10,000,000 but not to exceed NT\$200,000,000 in accordance with Paragraph 1 in Article 171 of the Securities and Exchange Act; if the stability of the securities market is harmed, the punishment shall be increased by one-half.

If the proceeds seized from crime by the person reach more than NT\$100,000,000, the person shall be sentenced to a term of imprisonment not less than 7 years and be punished a fine over NT\$25,000,000 but not to exceed NT\$500,000,000 according to Paragraph 2 in the same article; if the stability of the securities market is harmed, the punishment shall be increased by one-half.

2. Civil liability:

Subject to Paragraph 2 in Article 157-1 of the Securities and Exchange Act, any person in violation of the regulations prohibiting insider trading shall be held liable to trading counterparts who on the day of the violation undertook the opposite-side trade with bona fide intent, for damages in the amount of the difference between the price of securities bought or sold by the said counterpart who may claim for compensation and the average closing price for ten business days after the date of public disclosure. The court may, upon the request of the counterpart, treble the damages payable by the said violators should the violation be of a severe nature; the court may also reduce the damages where the violation is minor.

Article 5 Regulations on Insider Trading Prevention Management:

1. Establish and maintain insider information.
2. File the information about the shareholding of insiders.
3. Learn if there is any abnormality in the changes in the insiders' shareholding.
4. Discuss the solution for discovered abnormalities with relevant departments.

5. Strengthen the promotion of insider trading.

6. Conform to the principle of material information disclosure.

Article 6 Where there are any matters that are not covered in the Regulations, they shall be subject to the Securities and Exchange Act.

Article 7 The Regulations shall take effect after the Chairman's approval, and the same shall apply to any amendments thereto.