

## Content

Title : Securities and Exchange Act Enforcement Rules Ch

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Legislative : 1. Full text of 13 articles adopted and issued per 6 August 1988 Order No. (77)-Taiwan-Finance-Securities-(Law) 5281 of the Ministry of Finance  
2. Article 8 amended and issued per 19 November 1999 Order No. (88)-Taiwan-Finance-Securities-(Law) 94763 of the Ministry of Finance  
3. Articles 2 and 4 to 12 amended and issued per 21 June 2001 Order No. (90)-Taiwan-Finance-Securities-(Law) 141773 of the Ministry of Finance  
4. Article 8 amended and issued per 31 January 2002 Order No. (91)-Taiwan-Finance-Securities-(Law) 104369 of the Ministry of Finance  
5. Article 8-1 added and issued per 25 March 2002 Order No. (91)-Taiwan-Finance-Securities-(I)-113902 of the Ministry of Finance  
6. Articles 9 and 11 amended and issued and Articles 8 and 12 deleted per 8 January 2008 Order No. Financial-Supervisory-Securities-0960072068 of the Financial Supervisory Commission, Executive Yuan  
7. Articles 4 to 7 and Article 9 amended and issued and Article 12-1 added per 23 November 2012 Order No. Financial-Supervisory-Securities-Auditing-1010053322 of the Financial Supervisory Commission

Content : Article 1

These Enforcement Rules are prescribed in accordance with Article 182-1 of the Securities and Exchange Act ("the Act").

### Article 2

The term "shares held under the name of third parties" referred to in paragraph 3 of Article 22-2 of the Act means any person who satisfies the following qualifications:

1. Directly or indirectly provides stocks to third parties, or provides funds to third parties to purchase such stocks.
2. Be entitled to manage, utilize, or dispose the stocks held under the name of such third parties.
3. Be allocated the complete or partial portions of profits or losses of stocks held under the name of such third parties.

### Article 3

The term "the date such stocks or bonds may be issued pursuant to the Company Act" referred to in Article 34 of the Act means the date of approval for company incorporation or the date the new registration license reflecting the issuance of new shares is delivered to the company.

### Article 4

The financial report to be publicly disclosed under Article 36, paragraph 1 of the Act shall specify the following items, provided that where otherwise specified by an act or regulation, such other provision shall apply:

1. The financial report for each fiscal year shall specify the name of the auditing accountant and his auditing opinion using the following words: "Unqualified Opinion Subsequent to Revision," "Unqualified Opinion," "Qualified Opinion," "Disclaimer of Opinion," or "Adverse Opinion." Any report containing an auditing opinion other than "Unqualified Opinion" shall specify the reasons for such opinion.
2. The quarterly financial report shall clearly specify the name of the

reviewing accountant, and any special clarifying statement contained in the reviewing report.

3. In case the financial report is provided in concise form, such report shall clearly state the following words: "the financial report audited (or reviewed) by the accountant has been placed at the company for the shareholders to inspect, examine and/or copy."

#### Article 5

The publicly disclosed and filed operating status referred in Article 36, paragraph 1, item 3 of the Act shall include the following items:

1. The consolidated operating revenue.
2. The total monetary amount of endorsements and guaranties provided for third parties.
3. Other items prescribed by the competent authority.

#### Article 6

In case the financial report publicly disclosed and filed under Article 36 of the Act is required to be corrected because it is not prepared in conformance with the applicable laws and regulations, the correction shall be made by the filing party within the time period prescribed by the competent authority and in accordance with the following provisions:

1. When any of the following descriptions applies to a parent company only financial report or individual financial report, the financial report shall be restated and then publicly disclosed:

A. The corrected amount of the comprehensive income is NT\$10 million or more, and is also 1 percent or more of the originally stated net operating revenue after final accounting.

B. The corrected amount of any of the asset line items (excluding reclassified items) included in the balance sheet is NT\$15 million or more, and is also 1.5 percent or more of the originally stated amount of total assets after final accounting.

2. When any of the following descriptions applies to a consolidated financial report, the financial report shall be restated and then publicly disclosed:

A. The corrected amount of the comprehensive income is NT\$15 million or more, and is also 1.5 percent or more of the originally stated net operating revenue after final accounting.

B. The corrected amount of any of the items (excluding reclassified items) in the balance sheet is NT\$30 million or more, and is also 3 percent or more of the originally stated amount of total assets after final accounting.

3. If the corrected amount of the comprehensive income or individual asset line item (excluding reclassified items) included in the balance sheet does not reach the threshold set in either of the preceding two subparagraphs, the financial report needs not be restated, but the corrected amount shall be presented as a correction to retained earnings, other comprehensive income, or individual asset line item in the balance sheet, as the case may be, and shall be entered into the website specified by the competent authority.

The corrected financial report to be publicly disclosed pursuant to subparagraph 1 or 2 of the preceding paragraph shall state the reasons for such correction and specify its main differences with the original

financial report.

#### Article 7

The term "any matter which has had a significant impact on shareholders rights or the price for the securities" referred to Article 36, paragraph 3, subparagraph 2 of the Act shall mean any of the following circumstances:

1. The dishonoring of negotiable instruments due to insufficient deposit, the refusal to transact by banking services, or other events that result in the loss of good credit standing.
2. Litigation, non-litigious proceeding, administrative disposition, administrative dispute, security procedure, or compulsory execution, which has had a significant impact on the financial status or business of the company.
3. Serious drop in the output, complete or partial suspension of work, lease of the company factory or its main facilities, or complete or partial pledge of the material assets which has had a significant impact on the company business.
4. Any event specified under Article 185, paragraph 1 of the Company Act.
5. Judgment by the competent court to prohibit the transfer of the company's shares under Article 287, paragraph 1, item 5 of the Company Act.
6. Change in the chairman of the board, general manager, or one-third or more of the directors of the company.
7. Change in the auditing and certifying accountant. However, where the change is due to internal adjustments in the accounting office, this [matter] shall not be included [in the above definition].
8. Execution, amendment, termination, and rescindment of the important memoranda, strategic alliances or other cooperative business plans, or important contracts, change in the material contents of the business plan, completion of new product development, successful development of trial products, and formal entrance into mass production, or acquisition of other enterprises, acquisition or assignment of patent rights, exclusive trademark use rights, copyrights, or other intellectual property rights transactions, which have a major effect on the finances or business of the company.
9. Other important events that have had significant impact on the continuation of company operation.

#### Article 8

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#### Article 8-1

Acts of general advertising or public inducement in Article 43-7 of the Act refers to acts of offer or inducement to any unspecified persons other than persons under Article 43-6, paragraph 1 of the Act by means of public announcement, advertisement, broadcast, video/teletext, internet, letter, telephone, visit, inquiry, presentation, seminar, or other means.

#### Article 9

The term "associated persons employed by securities firms whose duties relate to the securities business" referred to in Article 54, paragraph 1 and Article 18-1, paragraph 2 of the Act, and the persons employed by enterprises referred to in Article 18 of the Act shall include the following persons:

1. Any persons employed by a securities underwriter to process the

- underwriting, trading negotiation, or trading implementation of securities.
2. Any persons employed by a securities dealer to process the dealing and clearance and settlement of securities, stock business agency, or risk management and brokerage of derivative financial products.
  3. Any persons employed by a securities broker to process the account opening, credit search/review, solicitation, recommendation and introduction, commissioning, filing, clearance, and settlement of securities trading, margin lending and short selling, or the acceptance, delivery, and custody of securities and payment.
  4. Any persons employed by a securities finance enterprise to process the account opening, credit search/review, clearance and settlement of securities trading, or the acceptance and delivery of securities and payment.
  5. Any persons employed by a central securities depository to implement the custody or book entry transfer of securities, or process matters related to the custody of securities.
  6. Any accountant in charge, investment analysts, self-auditing personnel, legal compliance personnel, internal auditors, or personnel conducting other approved business, who are employed by the securities firms or securities services enterprises set forth in the preceding five subparagraphs.

#### Article 10

The term "the interval between two such transfers is less than 3 months" referred to in Article 150, paragraph 3 of the Act shall be construed in accordance with the following definitions:

1. Each direct sale and purchase between the private parties shall be separately counted as one act.
2. The date of transfer shall be determined by the date the act of transfer takes place. In case this cannot be shown, the date of transfer shall be based on the date the transferee files the request with the company to amend the shareholders registry.

#### Article 11

The term "other equity-type securities" referred to in Article 157, paragraph 6 and Article 157-1, paragraph 1 of the Act shall include convertible corporate bonds, corporate bonds with warrants, stock warrants, call (put) warrants, certificates of payment for shares, stock warrant certificates, certificates of entitlement to new shares, bond conversion entitlement certificates, Taiwan depositary receipts, and other equity-type securities.

The term "profit" referred to in Article 157, paragraph 1 of the Act shall be calculated in accordance with the following methods:

1. Where the types of securities obtained or sold are of the same types, the price difference shall be calculated in a manner that the highest selling price matches the lowest purchasing price, the second highest selling price matches the second lowest purchasing price, and so on. Any losses resulting from the securities trading shall not be counted into the said calculation.
2. Where acquired or sold securities are of different types, the profit shall be calculated, in the case of ordinary shares, on the basis of the trade price and the number of shares traded; calculation of profit for

other securities shall be based on the closing acquisition or sales prices of the ordinary shares on the day each such security was acquired or sold and the number of ordinary shares for which such security was exercisable or convertible; matching of the acquisition and sales prices shall be based on the provisions in the preceding paragraph.

3. The dividends received by the traded stocks shall be included into the price difference calculation in the preceding two subparagraphs.

4. A 5-percent legally mandated interest under Article 203 of the Civil Code shall be added into the price difference. Such interest shall be calculated based on the date of last trading until the date of disgorgement to the company, in the case of subparagraphs 1 and 2 of this article, and the date cash dividends are received until the date of disgorgement to the Company, in the case of item 2.

The commissions charged by securities firms and the securities transaction tax arising from those trading shall be deducted from the profit in calculating the profit differential of item 1 of the preceding paragraph.

#### Article 12

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#### Article 12-1

Articles 4 through 6 of these Enforcement Rules, as amended and issued on 23 November 2012, shall apply as follows:

1. To public companies whose stock is listed on a stock exchange or traded on the over-the-counter market, these provisions shall apply from the beginning of fiscal year 2013.

2. To public companies whose stock is not listed on a stock exchange nor traded on the over-the-counter market, these provisions shall apply from the beginning of fiscal year 2015. However, to companies that voluntarily apply, from the fiscal year of 2013, the Regulations Governing the Preparation of Financial Reports by Securities Issuers as enforced on 1 January 2012, these provisions shall apply from the beginning of fiscal year 2013.

3. Public companies not doing as specified in the preceding two subparagraphs shall follow the provisions of these Enforcement Rules before the issuance of the 23 November 2012 amendment.

#### Article 13

These Enforcement Rules shall come into effect as of the date of promulgation.