

Content

Title :	Regulations Governing the Publication of Financial Forecasts of Public Companies <b>Ch</b>
Date :	2013.12.31
Legislative :	<p>1. Full text of 23 articles promulgated 14 per November 2002 Order No. Taiwan-Finance-Securities-VI-0910005765 of the Securities and Futures Commission, Ministry of Finance; to be enforced from the date of promulgation.</p> <p>2. Full text of 28 articles amended and issued per 9 December 2004 Order No. Financial-Supervisory-Securities-VI-0930005938 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of announcement</p> <p>3. Full text of 28 articles amended and issued per 22 August 2012 Order No. Financial-Supervisory-Securities- Auditing-1010035644 of the Financial Supervisory Commission; for enforcement from the fiscal year of 2013</p> <p>4. Articles 20, 26, and 28 amended and issued per 31 December 2013 Order No. Financial-Supervisory-Securities-Auditing-1020053249 of the Financial Supervisory Commission; for enforcement from the date of issuance</p>
Content :	<p>Chapter I General Principles</p> <p>Article 1 These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act").</p> <p>Article 2 A public company shall prepare its financial forecasts in accordance with the provisions of these Regulations. The term "financial forecasts" in the preceding paragraph means consolidated financial forecasts, provided that when a public company has no subsidiaries, it shall prepare individual financial forecasts.</p> <p>Article 3 A public company shall plan and prepare its financial forecast in accordance with the following provisions:</p> <p>1.It shall establish a comprehensive written budget system stating monthly cash, production, sales, cost, and capital budgets for reference in preparing the financial forecast.</p> <p>2.It shall form reasonable and appropriate assumptions in good faith, and exercise professional due diligence in appropriately disclosing relevant information.</p> <p>3.The forecast shall be carefully prepared by appropriate persons who are fully acquainted with the enterprise and the industry and who possess expertise in production, marketing, accounting, finance, research, environmental protection, engineering, or other areas, in order to ensure that the financial forecast information is of reasonable and reliable quality.</p> <p>4.Appropriate accounting principles shall be adopted for the preparation of the forecast, which shall also be consistent with the accounting treatment that was expected to be adopted at the time of the actual occurrence and account entry of the specific transaction. When the company management anticipates changes in accounting principles, those accounting principles</p>

shall be reflected in the financial forecast.

5. It shall carefully and reasonably plan the cash and capital budget, addressing such matters as capital increase by issuing shares, issuing corporate bonds, long-term borrowings, or acquisition and disposal of major assets, to serve as a basis for preparing the financial forecast.

#### Article 4

The financial forecast shall be submitted to the board of directors for approval after it has been fully prepared, provided that if it cannot be submitted to the board of directors for approval in time because of any circumstance under Article 6, it may be submitted for retroactive recognition at the following board of directors meeting.

#### Article 5

A public company may publish its financial forecast by any of the following means:

1. Summary financial forecast: publish key forecast information in accordance with the provisions of Chapter II.
2. Complete financial forecast: publish a financial forecast in the format of a complete basic financial statement in accordance with the provisions of Chapter III.

#### Article 6

When a public company, in a manner other than as provided in these Regulations, provides operating revenue or profit forecast information to news, magazine, radio, television, Internet, or other mass media, or announces such information at a meeting to present business performance, news conference, or other venue, the Financial Supervisory Commission (FSC) may require the company to publish a complete financial forecast in accordance with the provisions of Chapter III.

#### Article 7

A public company that publishes a financial forecast in accordance with Article 5 shall file the forecast within 2 days commencing immediately from the date of publication.

A public company that must publish a financial forecast because of a circumstance under Article 6 shall publicly disclose and report within 10 days counting inclusively from the date it receives the notice to prepare the report.

#### Article 8

A public company that publishes a financial forecast in accordance with these Regulations may publicly disclose it on the company website, and shall at the same time transmit it in the form of an electronic file to the information reporting website designated by the FSC.

### Chapter II Summary Financial Forecasts

#### Article 9

A public company preparing a financial forecast shall provide forecast information including operating revenue, gross profit, operating expenses, operating income, net profit before tax, comprehensive income, earnings per share, and acquisition or disposal of major assets and an explanation of the consistency of the accounting policies and the financial report; monetary amounts of individual items may be presented as single numbers or as interval estimations, and an explanation must be given of the basic assumptions and the relevant bases upon which the estimations are made.

A public company updating (correcting) a financial forecast, in addition to disclosing the information required under the preceding paragraph, shall also disclose the reasons for any updates (corrections) and the effect on the forecast information.

When a public company voluntarily decides to publish financial forecast information at a certain point in time, the forecast shall cover a period of at least one quarter, but it is permissible to publish financial forecast information for a period of more than one quarter presented in quarterly units.

If a public company does not publish its financial forecast until mid-period, it shall also present the figures reviewed (or audited) by a CPA or the self-assessed (unaudited) figures as of the end of the preceding quarter. If the self-assessed figures are presented, it shall be disclosed in prominent lettering that the figures have not been audited (or reviewed).

#### Article 10

A company publishing a financial forecast under this chapter shall publicly disclose in full the content set out in the preceding article; the publicly disclosed content shall include the following particulars:

1. Reason for preparing the financial forecast and the date its preparation was completed.
2. Date of approval by the board of directors.
3. Period covered by the financial forecast.
4. Forecast figures for each of the below-listed items and the actual figures as of the end of the preceding quarter:
  - A. Operating revenue.
  - B. Gross profit.
  - C. Operating expenses.
  - D. Operating income.
  - E. Net profit before tax.
  - F. Comprehensive income.
  - G. Earnings per share.
  - H. Acquisition or disposal of major assets.
5. An overall explanation of the significant basic assumptions and the bases upon which estimates are made and an explanation of the consistency of the accounting policies and the financial report.
6. It shall be disclosed in prominent lettering that the information therein is predictive and will not necessarily be fully realized in the future, and that reference to the company's significant accounting policy and summary of basic assumptions shall be made for further details.
7. If a financial forecast is updated (corrected), the reasons for the updates (corrections) and the effect on the forecast information.

#### Article 11

A company publishing a financial forecast under this chapter shall constantly evaluate the effects of any changes in sensitive basic assumptions on the results of the financial forecast, and decide accordingly whether it is necessary to update the financial forecast.

A company publishing a financial forecast under this chapter, upon discovering that the financial forecast contains any error that may mislead the judgment of users, shall correct the financial forecast.

## Article 12

When a company publishing a financial forecast under this chapter updates (corrects) the financial forecast, it shall do so in compliance with Article 8 and Article 10.

### Chapter III Complete Financial Forecasts

## Article 13

In preparing its financial forecast, a public company shall follow the complete format of its past basic financial statements, expressed in individual amounts; financial statements from the 2 preceding fiscal years and the financial forecast for the current fiscal year shall further be shown side-by-side.

When a public company prepares an updated (or corrected) financial forecast, the financial statements from the preceding 2 fiscal years, the pre-update (or pre-correction) financial forecast, and the post-update (or post-correction) financial forecast shall be shown side-by-side.

When a public company prepares or updates (or corrects) its financial forecast for the current fiscal year, if the financial statement for the preceding year has not yet been completely audited and attested by a certified public accountant (CPA) and self-assessed figures are presented, it shall disclose in prominent lettering that the figures are unaudited.

## Article 14

In addition to the forecasted financial statement, the content presented in a financial forecast shall include the following items:

- 1.Reasons for and date of completion of the preparation of the financial forecast.
- 2.Statement that the enterprise's financial forecast is an estimate and may not be completely achieved.
- 3.Overall explanation of critical accounting policies.
- 4.Overall explanation of significant basic assumptions.
- 5.Quarterly forecast figures for operating revenue, operating costs, gross profit, net profit before tax, and comprehensive income. If the company does not publish the financial forecast for the current year until the period has commenced, the information for each quarter preceding the publication date shall be presented in the actual amounts. If enterprises in a certain industry do not have a "gross profit" account title, "operating profit" shall be substituted.
- 6.The status of actual achievement of the forecasted comprehensive income statement included in the previous financial forecast and a record of any penalties or dispositions imposed, including:
  - A.Comparison of the original forecasted amounts, all past amended amounts, and actually achieved amounts.
  - B.If there is a discrepancy of 20 percent or more in comprehensive income, an analysis of the reason.
  - C.Date the original forecast was disclosed, date of amendment, reason for amendment, and the amount affected.
  - D.The reasons for, and status of improvements in relation to, any corrections to the financial forecast required by the FSC or any demerits imposed by the Taiwan Stock Exchange Corporation or the GreTai Securities Market.
- 7.The status of actual achievement of the financial forecast for the

current year up to the end of the quarter preceding the completion of the financial forecast. If the financial statement for the preceding quarter has not yet been completely audited (or reviewed) by a CPA, and self-assessed numbers are presented, it shall be disclosed in prominent lettering that the statement has not been audited (or reviewed).

8. Where an updated financial forecast is being prepared, the following additional items shall be included:

A. Itemized analysis of the circumstances and reasons behind any changes in the basic assumptions before and after the update.

B. Impact on gross profit, operating income, net profit before tax, comprehensive income, and earnings per share.

C. Where there is a discrepancy of 20 percent or more in gross profit following the update, an itemized price-quantity analysis shall be prepared for each of its major products and services.

9. In preparing a corrected financial forecast, the reason, nature, and influence of the initial error on gross profit, operating income, net profit before tax, and comprehensive income shall be fully explained.

The content of the forecasted comprehensive income statement referred to in the preceding paragraph shall contain at the very least operating revenues, operating costs, gross profit, operating expenses, operating income, non-operating revenues and expenditures, net profit before tax, income tax, net profit for the period, other comprehensive income, comprehensive income, and earnings per share.

#### Article 15

The summary of significant basic assumptions disclosed in a financial forecast shall fully disclose the following items:

1. For significant basic assumptions that are very sensitive to the forecast results or are have a high likelihood of deviation, such as exchange rates, interest rates, and costs of primary raw materials, an explanation shall be given of the bases on which the projections are made, and an analysis of the degrees of sensitivity.

2. The sources of information and relevant percentage figures on which the basic assumptions, such as the sales volumes, sales prices, and costs of the company's major goods (services), are based (such as future market supply and demand, growth, and market share).

3. For forecasted investment gain or loss to be recognized under investments accounted for using the equity method, the name of the invested companies, shareholding percentage, forecasted recognized amount of investment gain or loss, and basis for recognition of the above-said investment gain or loss. Where the recognized amount of the investment gain or loss reaches 20 percent of the forecasted comprehensive income and the amount involved is NT\$10 million or more, the company shall disclose whether the invested company prepared its financial forecast in accordance with these Regulations.

4. Where the forecasted profit/loss from disposal of long-term investments or real property reaches 20 percent of the forecasted pre-tax profit/loss, and the amount involved is NT\$10 million or more, the company shall disclose the location and book value of the investment item or real property planned for disposal, the basis on which the disposal price was determined, the status of signing of the agreement or formalizing of the

purchase, and specific evidence that the income can be recognized in the current year.

5. A company that plans to carry out an issuance of shares for capital increase, a corporate bond issue, or a private placement of securities shall disclose the key content of the plan such as the source of funds, plan items, preliminary timetable, and anticipated potential benefit, and the effect on relevant items in the financial statement.

6. Any assumptions of material differences between the forecasted situation and the current situation.

7. Matters of material significance for the forecasted information and the explanation thereof.

#### Article 16

The financial forecast may be submitted for review by a CPA in accordance with Statement of Auditing Standards No. 19 issued by the Accounting Research and Development Foundation of the ROC.

Where the financial forecast is submitted to a CPA for review under the preceding paragraph, it shall be reviewed by the same CPA that audited and attested the financial report; provided, this restriction shall not apply where the CPA has changed due to internal staff adjustments at an accounting firm.

#### Article 17

The publicly disclosed financial forecast of a public company shall include at least the following items:

1. Reason for preparing the financial forecast and the date its preparation was completed.

2. The date of approval by the board of directors.

3. Where the forecast has been reviewed by a CPA, the kind of opinion provided in the CPA's review report; if the CPA has issued a non-standard review report, the explanation and conclusions shall also be included.

4. Financial forecast (including corrected figures and original forecasted figures) and the historical data from the preceding period, including:

A. Condensed balance sheet.

B. Condensed statement of comprehensive income.

5. Statement in prominent lettering that: This information is a forecast and may not be completely achieved; for detailed information, reference should be made to the explanation of the critical accounting policies and the basic assumptions.

6. Where a financial forecast is updated (or corrected) or re-prepared, the reason for doing so and the impact on the forecast information.

#### Article 18

A company that has published its financial forecast for the current year shall, at the time it publishes its first quarter, second quarter, third quarter, and annual financial reports, also publish the date of preparation of the original forecasted comprehensive income statement and of any subsequent amendments thereto, as well as the annual achievement rate against the annual forecast figures for the forecasted fiscal year and the quarterly achievement rate against the forecast figures for the forecasted quarter, up to the financial report for the current period.

#### Article 19

In any of the following events, a company that has published its financial

forecast shall re-prepare the financial forecast and, if it was reviewed by a CPA before re-preparation, shall have it reviewed by a CPA, before publicly disclosing and filing it:

1. Where 1 month or more has elapsed between the date of preparation and the date of public disclosure and filing.

2. Where there has been a change in the attesting CPA; provided, this shall not apply to internal staff adjustments within an accounting firm.

If the basic assumptions underlying the financial forecast have not changed materially, and the management level of the company has issued a statement that the basic assumptions are effective (and, if it was reviewed by a CPA before re-preparation, had a CPA express an opinion regarding whether the basic assumptions have materially changed), and the report has been published within 10 days counting inclusively from the date of occurrence, the company may be exempted from the requirement to re-prepare the financial forecast under the preceding paragraph.

When evaluating the matters under the preceding paragraph, the company management shall re-evaluate the appropriateness of its basic assumptions in terms of the actual status of achievement of the financial forecast.

#### Article 20

A company that has published its financial forecast shall evaluate from time to time the impact of any changes in particularly sensitive basic assumptions on the results of the financial forecast and on a monthly basis analyze the status of its achievement in terms of operating results and evaluate whether there is any need to update the financial forecast. When key elements and basic assumptions underlying the preparation of the financial forecast have changed, causing the comprehensive income to vary by 20 percent or more and the affected amount is NT\$30 million or more and 0.5 percent of the paid-in capital, the company shall duly publicly disclose and file the updated financial forecast.

If a company experiences any chance event which could not reasonably have been foreseen or planned for at the time of preparation of the financial forecast, such as loss from a major disaster, and the effect of the event on the results of the financial forecast meets the standards requiring the update of the financial forecast as provided in the preceding paragraph, the company shall update the financial forecast in accordance with the prescribed procedure.

If the shares issued by the company have no par value or a par value other than NT\$10 per share, the 0.5 percent of paid-in capital as set out in paragraph 1 herein and Article 25 below shall be replaced by 0.25 percent of equity attributable to the owners of the parent.

#### Article 21

Where a company that has published a financial forecast discovers an error in the financial forecast that could lead to misguided judgments by users, the financial forecast shall be corrected.

Where, after the publication of a financial forecast prepared by a public company, there is any addition, deletion, or amendment to any matter under Article 3, paragraph 1, subparagraph 5 that could reasonably have been anticipated at the time of preparation, it shall be deemed and handled as an error in the basic assumptions; provided, this shall not apply where the financial forecast has already been updated in a timely fashion when filing

the financial report for the most recent period.

#### Article 22

When a company that has disclosed a financial forecast discovers a need to re-prepare or to update (or correct) the financial forecast, it shall publicly disclose and file, within 2 days counting inclusively from the date of discovery, the completion date of the original financial forecast, the date of the CPA review if a CPA review was done, the circumstances of the change in basic assumptions or the error that has rendered the originally disclosed information unsuitable for use, and the monetary amounts of its effect on each major account in the forecasted comprehensive income statement, and further publicly disclose and file a re-prepared or updated (or corrected) financial report, reviewed by a CPA, within 10 days counting inclusively from the date of discovery. If the financial forecast had been reviewed by a CPA before it was re-prepared or updated (corrected), the re-prepared or updated (corrected) financial forecast shall also be reviewed by a CPA.

Where a company that has published a financial forecast does not meet the standards requiring updating but nevertheless elects to update its financial forecast, in addition to complying with the preceding paragraph, it shall also publicly disclose and file the reasons for deciding to carry out the non-mandated update.

#### Article 23

A company that has published its financial forecast shall make a quarterly comparison of the actual and forecasted figures for comprehensive income; if up to the current quarter the discrepancy is 20 percent or greater, the company shall, when filing the financial report for the current quarter, re-evaluate the appropriateness of its basic assumptions in terms of the actual status of achievement of the financial forecast and examine whether the response measures for the remaining months are specifically feasible, provide an explanation of its basis for not updating the financial forecast, and, if the financial forecast was reviewed by a CPA, also shall have a CPA issue an opinion as to the reasonableness of the basis for non-revision, and publicly disclose and file the explanation and opinion to the FSC along with the financial report.

#### Article 24

Within 1 month from the close of the fiscal year, a public company that has published a financial forecast shall publicly disclose and file the status of achievement of the forecasted comprehensive income statement (including the original financial forecast and all subsequent corrections) and the reason for any discrepancy.

When a company publicly discloses and files the achievement status under the preceding paragraph, if the financial report has not been audited by a CPA, it shall disclose in prominent lettering that the report has not been audited by a CPA; also, if there is any other material uncertainty that may affect the achievement status, each such item shall be listed along with the reasons for and impact of potential discrepancies.

#### Article 25

When a company that has published a financial forecast publicly discloses and files its annual financial report, if the discrepancy between the actual and forecasted figures for comprehensive income or in the

achievement of the forecasted comprehensive income statement published under Article 24 is 20 percent or greater and the sum involved amounts to NT\$30 million and 0.5 percent of the paid-in capital, the company shall publicly disclose and file the amount and the reasons and, if the financial forecast was reviewed by a CPA, shall obtain an opinion from a CPA as to the reasonableness of the content of the explanation, both of which shall be published together with the annual financial report and reported to the FSC. The abovementioned explanatory materials shall be incorporated as a part of the business report submitted to the shareholders meeting.

#### Chapter IV Supplementary Provisions

##### Article 26

To public companies whose stock is neither listed on the stock exchange nor traded on the over-the-counter market, these Regulations shall apply from the date they prepare the financial forecasts for the fiscal year of 2015. These companies, however, may voluntarily apply these Regulations from the date they prepare the financial forecasts for the fiscal year of 2013. Public companies that do not voluntarily do as specified in the preceding paragraph shall follow the provisions of these Regulations as they stood before the amendments that were issued on 22 August 2012 and enforced from the fiscal year of 2013, with the exception of Article 20, paragraph 3 as amended on 31 December 2013, which shall apply from the date of issuance.

##### Article 27

A copy of the public disclosure and filing of the financial forecast shall simultaneously be copied to the Securities and Futures Institute, ROC, where it shall be available for public inspection. If the company's stock is listed and traded on the stock exchange, it shall also be copied to the Taiwan Stock Exchange Corporation; if it is traded on over-the-counter markets, it shall also be copied to the GreTai Securities Market.

##### Article 28

These Regulations shall be enforced from the fiscal year of 2013. The amendments to these Regulations shall be enforced from the date of issuance.