

Content

Title :	Regulations Governing the Scope of Material Information and the Means of its Public Disclosure Under Article 157-1, Paragraphs 5 and 6 of the Securities and Exchange Act <b>Ch</b>
Date :	2010.12.22
Legislative :	1. Full text of six articles adopted and issued 30 May 2006 per Order No. Financial-Supervisory-Securities-III-0950002519 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of issuance
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Article 157-1, Paragraphs 5 and 6, of the Securities and Exchange Act (the "Act").</p> <p>Article 2</p> <p>The reference in Article 157-1, paragraph 5, of the Act to information relating to the finances or businesses of a company that would have a material impact on its stock price or on the investment decisions of a reasonably prudent investor means any of the following:</p> <ol style="list-style-type: none"><li>1. A matter provided in Article 7 of the Enforcement Rules to the Act.</li><li>2. The company carries out 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, or there is any material change in any of the above matters.</li><li>3. The company is in proceedings for reorganization, bankruptcy, dissolution, or application for stock delisting or termination of OTC securities trading, or there is any material change in any of the above matters.</li><li>4. A member of the company's board of directors is subject to a provisional injunction ruling suspending his or her exercise of powers, making it impossible for the board of directors to exercise its powers, or all independent directors of the company are removed from office.</li><li>5. Occurrence of a disaster, group protest, strike, or environmental pollution, or any other material event, where the company incurs a material loss, or where a relevant authority orders suspension of work, suspension of business, or termination of business, or revokes or voids a relevant permit.</li><li>6. Dishonor of a negotiable instrument, filing for bankruptcy or reorganization, or any other similar event of a material nature, with respect to a related party of the company or to a principal debtor or a joint and several guarantor of a principal debtor; or inability by a principal obligor, in favor of whom the company has made an endorsement or guarantee, to settle a matured negotiable instrument, loan, or other obligation.</li><li>7. Occurrence of a significant event of internal control-related malpractice, non arms-length transaction, or defalcation of company assets.</li></ol>

8. Suspension of part or all of business transactions between the company and a principal client or supplier.
9. Upon occurrence of any of the following with respect to a financial report of the company:
  - (1) Failure to make a public announcement or a filing in a manner consistent with the requirements of Article 36 of the Act.
  - (2) An error or omission in a financial report prepared by the company, with respect to which Article 6 of the Enforcement Rules to the Act requires a correction to and further a restatement of the financial report.
  - (3) A certified public accountant issues an audit or review report containing an opinion other than an unqualified or modified unqualified opinion. The same does not apply, however, in cases where the certified public accountant issues a qualified audit or review report for the reason of annual amortization of losses, as permitted by law, or for the reason that an amount of long-term equity investment and profit/loss thereupon presented in the first-quarter, third-quarter, or semiannual financial report is calculated on the basis of financial statements of the investee company that have not been audited or reviewed by a certified public accountant.
  - (4) A certified public accountant issues an audit or review report indicating substantial doubt about the going-concern assumption.
10. A significant discrepancy between financial forecasts already publicly disclosed and actual figures or between updated (or corrected) financial forecasts and original forecasts.
11. The company's operating income or income before tax shows a significant change from the same period of the previous year, or shows a significant change compared with the previous period and the change is not caused by seasonal factors.
12. When any of the following accounting events occurs to the company, and the event, although it does not affect the profit/loss of the current period, has resulted in a material change in the net worth of the current period:
  - (1) Revaluation of assets.
  - (2) Valuation of financial instruments.
  - (3) Foreign currency translation adjustments.
  - (4) Financial instruments accounted for using hedge accounting.
  - (5) Net losses not recognized as retirement fund costs.
13. The fundraising plan for corporate bond redemption cannot be carried out.
14. The company buys back its own shares.
15. The company makes or suspends a public tender offer to acquire securities issued by a public company.
16. The company acquirers or disposes of a major asset.
17. If the company has issued securities overseas, occurrence of a material event that requires prompt public announcement or filing, as provided in the government laws and regulations, or securities exchange market rules and regulations, of the country where the securities are listed.
18. Other matters relating to the finances or businesses of the company that would have a material impact on its stock price or on the investment decisions of a reasonably prudent investor.

### Article 3

The reference in Article 157-1, paragraph 5, of the Act to information relating to the market supply and demand of such securities that would have a material impact on its stock price or on the investment decisions of a reasonably prudent investor means any of the following:

1. The company's securities traded on the centralized securities exchange market or the OTC securities market are subject to a public tender offer or suspension of a public tender offer.
2. Any material change in the shareholding of the company or its controlling company.
3. The company's securities traded on the centralized securities exchange market or the OTC securities 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 there is any circumstance that may lead to any such event.
4. Persons duly charged with exercising searches under the law conduct a search of the company, its controlling company, or any of its major subsidiaries as defined in Article 2-1, paragraph 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.
5. Any other matter relating to the market supply and demand of such securities that would have a material impact on the company's stock price or on the investment decisions of a reasonably prudent investor.

### Article 4

The reference in Article 157-1, paragraph 6, of the Act to information that will have a material impact on the ability of the company to pay principal or interest means any of the following:

1. Any matter set out in Article 7, subparagraphs 1 to 3 of the Enforcement Rules of the Act.
2. Any matter set out in subparagraphs 5 to 8, subparagraph 9, item 4, and subparagraph 13 of Article 2 herein.
3. The company is in proceedings for reorganization, bankruptcy, or dissolution.
4. The company suffers a material loss, and the loss is likely to result in financial difficulty, suspension of business, or termination of business.
5. The amount of the company's current assets, with inventory and prepaid expenses deducted and net cash inflows generated before the maturity date of corporate bonds added, is insufficient to cover the principal or interest due in the near future for the most recent period and other current liabilities.
6. The interest of any already issued corporate bonds is calculated at a non-fixed interest rate, and the interest expenses have risen significantly due to market interest rate fluctuations and affect the ability of the company to pay principal or interest.
7. Any other matter that could affect the ability of the company to pay principal or interest.

The provisions of the preceding paragraph do not apply to companies issuing corporate bonds under a bank guarantee.

### Article 5

The date of existence of the information described in the preceding three

articles shall be the date of the fact, agreement, contract signature, payment, request, execution of transaction, transfer of title, resolution of the audit committee or board of directors, or other precise date based on concrete evidence, whichever comes first.

#### Article 6

For the purposes of Articles 2 and 4, public disclosure of information means a company enters such information into the Market Observation Post System.

For the purposes of Article 3, public disclosure of information means any of the following:

1. The company enters such information into the Market Observation Post System.
2. The Taiwan Stock Exchange Corporation publicly announces the information on the Market Information System website.
3. The GreTai Securities Market publicly announces the information on the Market Information System website.
4. Coverage of the information by two or more daily national newspapers on non-local news pages, national television news, or electronic newspapers issued by any the aforesaid media.

In the case of information publicly disclosed under subparagraph 4 of the preceding paragraph, the period of 18 hours referred to in Article 157-1, paragraph 1, of the Act shall begin with the later of the time of delivery of the newspaper, first broadcasting of the television news, or posting of the news on the electronic website, as the case may be.

The time of delivery of a newspaper referred to in the preceding paragraph means 6 a.m. for morning newspapers and 3 p.m. for evening newspapers.

#### Article 7

These Regulations shall be enforced from the date of issuance.