


Content

Title :	Regulations Governing Information to be Published in Annual Reports of Bills Finance Companies 
Date :	2010.04.02
Legislative :	<ol style="list-style-type: none"><li>1. Full 14 articles were adopted and promulgated on October 25, 2001 per Order No. (90)-Tai-Tsai-Rong-(IV)-0904000128 of the Ministry of Finance, and enforced from January 1, 2002.</li><li>2. Full text of 24 articles were amended and issued on August 23, 2005 per Order No. Jin-Kuan-Yin-(IV)-0944000606 of the Financial Supervisory Commission, Executive Yuan; for enforcement from the date of issuance.</li><li>3. Articles 7-11, 16-19, and 21 were amended and Article 20 was deleted, issued on April 11, 2007 per Order No. Jin-Kuan-Yin-(I)-09610001492 of the Financial Supervisory Commission, Executive Yuan.</li><li>4. Article 7 was amended and issued on September 6, 2007 per Order No. Jin-Kuan-Yin-(II)-09620006294 of the Financial Supervisory Commission, Executive Yuan.</li><li>5. Articles 10, 21, and 23 were amended and issued on March 12, 2008 per Order No. Jin-Kuan-Yin-(I)-09710000792 of the Financial Supervisory Commission, Executive Yuan.</li><li>6. Articles 10 and 19 were amended and issued on March 31, 2009 per Order No. Jin-Kuan-Yin-(I)-09810001202 of the Financial Supervisory Commission, Executive Yuan.</li><li>7. Articles 10, 11, and 23 were amended and issued on April 2, 2010 per Order No. Jin-Guan-Yin-Fa-Zi- 09910001112 of the Financial Supervisory Commission, Executive Yuan.</li></ol>
Content :	<p>Chapter 1 General Principles</p> <p>Article 1 These Regulations are enacted pursuant to Paragraph 1, Article 35 of The Act Governing Bills Finance Business (referred to as the “Act” hereunder).</p> <p>Article 2 A bills finance company shall include in its annual report all the items set forth in these Regulations, and may prepare its annual report in reference to the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies Regulations Governing Information to be Published in Financial Institution Prospectuses for Offering and Issuance of Securities. In addition, a bills finance company shall include a table of contents indicating page number for each item in the report. Where the company has nothing to report with respect to a particular item, or where the company is exempted from reporting a particular item by approval of the Financial Supervisory Commission (FSC), the annual report may note that the item in question is “not applicable” or “omitted.” Where the same information is required in more than one item of the annual report, the company may document the information in one place, while noting the page of reference in the other place(s).</p> <p>Article 3 The basic principles for preparing an annual report are as follows: <ol style="list-style-type: none"><li>1. Particulars specified in the annual report shall be up to date, and shall not contain any false representation or conceal any information; and</li></ol></p>

2. The annual report shall be detailed and accurate, and use easy-to-understand language and statistical charts, flow charts or other charts and tables where appropriate. When necessary, a company may publish a bilingual report, or publish a foreign language version under separate cover.

#### Article 4

The front cover of an annual report shall state the company name, the year of report, and the date of printing. In the case of a public bills finance company, the company's stock symbol together with website in conspicuous text for the inquiry of the annual report, including the website specified by the FSC for reporting of information as well as the website on which the company discloses annual report-related information, shall be indicated at the upper right-hand corner of the cover page.

Where the stock symbol referred to in the preceding paragraph has been changed, both the old and new symbols shall appear side-by-side in the annual reports for the current year and the next two years thereafter.

In the event a company changes its name as referred to in the first paragraph, the company's old and new names shall appear side-by-side in the annual reports for the current year and the next two years thereafter.

#### Article 5

The inside cover of an annual report shall specify the following:

1. The name, title, telephone number, and e-mail address of the spokesperson and acting spokesperson;
2. The address and telephone number of the company's head office and branch offices;
3. In the case of a public bills finance company, the name, address, website, and telephone number of the agent handling shares transfer;
4. If the company has had its credit rated, the name, address and telephone number of the credit rating agency;
5. The name of the certified public accountant (CPA) who audited the company's annual financial report for the most recent fiscal year, and the name, address and telephone number of the accounting firm; and
6. The address of the company's website.

#### Article 6

The back cover of an annual report shall bear the following:

1. The corporate chop specimen; and
2. The chop or signature of the responsible person of the company.

#### Article 7

The contents of an annual report shall include the following:

1. A report to the shareholders;
2. A company overview;
3. A corporate governance report;
4. Information on capital raising activities: Shares issuance and dividends, corporate bonds, preferred shares, employee stock options, any merger and acquisition activities (including merger, acquisition, and split), and the status of implementation of capital allocation plans;
5. An overview of business operations;
6. An overview of financial status;
7. A review and analysis of the company's financial condition and operating results, and risk management; and
8. Special disclosures.

Where a bills finance company is taken over by the competent authority according to law, the annual report shall contain material financial and business information up to the date of printing of annual report.

## Chapter 2 Content of Annual Report

### Article 8

The report to the shareholders shall include the operating results for the previous fiscal year, a summary of the business plan for the current fiscal year, the company's future development strategy, and the effects of external competition, the regulatory environment, and the overall business environment. If a company has had its credit rated, the report to the shareholders shall disclose in addition the latest credit rating results and the dates therefor.

In the description of operating results for the previous fiscal year, the annual report shall review the domestic and international financial environments, changes to the organization of the bills finance company, the implementation of the business plan and operating strategies, status of budget implementation; an analysis of revenues, expenditures, and profitability; and the status of research and development for the previous fiscal year.

The summary of the business plan for the current fiscal year shall explain the business policy, sales forecast and the basis thereof, and other important business policies for the same year.

### Article 9

The company overview shall include the following information:

1. Date of incorporation; and
2. A brief history of the company: This section shall, with respect to the most recent fiscal year as well as the current fiscal year up to the date of printing of annual report, include information on the following: merger and acquisition activities involving financial institutions; investments in affiliated enterprises; corporate reorganization; whether the company belongs to a specific financial holding company and the time where such subordinate relationship begins; instances where the shares of directors, supervisors, or shareholders whose shareholding requires reporting pursuant to Article 10 of the Act are transferred in large quantity or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity and the impact thereof on the company. If there is information concerning earlier fiscal years that could help provide significantly clearer understanding of the company's development, such information may also be included in the brief history of the company.

### Article 10

The corporate governance report shall include the following:

1. Organizational system: Specify the company's organizational structure and the businesses of its principal divisions.
2. Information on the company's directors, supervisors, president (general manager), vice presidents (assistant general managers), assistant vice presidents (deputy assistant general managers), and heads of all the company's divisions and branches, as follows:
  - (1) Directors and supervisors: names; principal work experience and

academic qualifications; position(s) held concurrently in the company and/or in any other company, date of election (appointment); term of office; the date on which the director/supervisor was first elected (appointed); shares held by the director/supervisor and spouse, children of minor age, and held through nominees; professional expertise; and whether they are independent directors/supervisors. For directors and supervisors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders, and furthermore the names of its ten largest shareholders and the holding percentage of each. If any of the ten largest shareholders is an institutional shareholder, the name of the institutional shareholder and the names of its ten largest shareholders and the holding percentage of each shall be noted. (Form 1)

(2) President (general manager), vice presidents (assistant general managers), assistant vice presidents (deputy assistant general managers), and managerial officers of all the company's divisions and branches: names; principal work experience and academic qualifications; date of appointment; term of office; and shares held by them and their spouses, children of minor age, and held through nominees. (Form 1-1)

(3) Remuneration paid to directors, supervisors, president (general manager), and vice presidents (assistant general managers) and bonus to employees during the most recent fiscal year:

a. If a bills finance company has any of the following situations, it shall disclose the remuneration paid to each individual director and supervisor and its president (general manager):

(a) The company's average non-performing loan ratio in the fourth quarter of the most recent fiscal year is more than 5 percent;

(b) The company's most recent capital adequacy ratio, either unaudited, CPA-reviewed, or adjusted following FSC examination, is below 8 percent;

(c) The company sustains consecutive after-tax deficits in the two most recent fiscal years; or

(d) The company did not complete the capital increase plan as proposed under the order of the FSC.

b. A company where the shareholding percentage of its directors and supervisors is insufficient for three consecutive months or longer in the most recent fiscal year shall disclose the remuneration paid to individual directors and supervisors.

c. A company that has had an average percentage of shares pledged by directors or supervisors in excess of 50% in any of the three months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor having a percentage of pledged shares in excess of 50% for each such month. (Form 1-2 and Form 1-3)

(4) Separately compare and describe total remuneration as a percentage of net income paid by the company, and by each other company included in the consolidated financial statements, during the past two fiscal years to its directors, supervisors, president (general manager), and vice presidents (assistant general managers), and describe the remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

3. The company's state of corporate governance implementation:

- (1) The state of operations of the board of directors: number of meetings; attendance rate of each director; targets set for strengthening the functions of the board during the current and immediately preceding fiscal years and evaluation of measures taken toward achievement thereof; and any other matters that require reporting. (Form 2)
- (2) The operations of audit committee or the participation in board meetings by the supervisors: number of meetings; rate of attendance (or of attendance as a non-voting participant) of each independent director or supervisor; and any other matters that require reporting. (Form 2-1 and Form 2-1-1)
- (3) Items that require disclosure in accordance with the Corporate Governance Best-Practice Principles for Bills Finance Companies. (Form 2-2)
- (4) The company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for Bills Finance Companies, and the reason for any such departure.
- (5) If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed.
- (6) The company's performance of corporate social responsibilities: systems and measures that the company has adopted with respect to environmental protection, community participation, contributions to society, services to society, social and public interests, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the state of implementation.
- (7) If the company has adopted corporate governance best-practice principles or related bylaws, disclose the methods of inquiry for such principles or bylaws.
- (8) Other significant information that will provide a better understanding of the company's implementation of corporate governance.
- (9) The section on the implementation of the company's internal control systems shall disclose the following:
  - a. A Statement on Internal Control.
  - b. Where a CPA has been engaged to carry out a special audit of the internal control systems, disclose the CPA audit report.
- (10) With respect to sanctions imposed for violations of regulations, major deficiencies, and improvements made therefor in the most two recent fiscal years, disclose the following:
  - a. A responsible person or employee of the company is being prosecuted for allegedly committing a business crime.
  - b. The company is being fined by the FSC for violation of regulations.
  - c. The company is being reprimanded by the FSC for deficiencies in business operations.
  - d. The company is being disciplined by the FSC pursuant to Article 51 of the Act to which Article 61-1 of the Banking Act applies mutatis mutandis.
  - e. If the company sustains actual loss individually or aggregately in excess of NT\$50 million in a fiscal year resulting from employee fraud or a material contingent event (fraud, theft, embezzlement and theft of assets, false transaction, forgery of documents and marketable securities, receiving kick-backs, loss from natural disaster, loss caused by external factors, hacker attack, data theft, disclosure of trade secrets or customer data, or other material incidents), or due to security breach resulting

from failure to practice security works, disclose the nature of such incident and the amount of loss.

f. Other matters that require disclosure as designated by the FSC.

(11) Material resolutions adopted at a shareholders' meeting or a board of directors meeting during the most recent fiscal year or the current fiscal year up to the date of printing of annual report.

(12) Where, during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been documented or prepared as a written declaration, disclose the principal content thereof.

(13) A summary of resignations and dismissals of persons connected with the company's financial report (including the chairman, president (general manager), chief accounting officer, and chief internal auditor) during the most recent fiscal year or the current fiscal year up to the date of printing of annual report. (Form 2-3)

#### 4. Information on CPA professional fees:

A bills finance company may opt to disclose professional fees of certified public accountants either by fee range or by individual amount (Form 3), and in case of any of the following situations, shall disclose information as follows:

(1) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm amount to one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed. (Form 3-1)

(2) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons for change shall be disclosed.

(3) When the audit fees paid for the current fiscal year is more than 15 percent less than those for the previous fiscal year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

The audit fees for auditing services referred to in item (1) thereof means the professional fees paid by a bills finance company to a CPA for auditing, review, and secondary reviews of financial reports, review of financial forecast, and tax certification.

#### 5. Information on change of CPA:

If a bills finance company has replaced its CPA within the last two fiscal years or any subsequent interim period, it shall disclose the following information: (Form 3-2)

(1) Regarding the former CPA:

a. Date of and reason for change of CPA, specifying whether it was the CPA that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement.

b. If the former CPA issued an audit report expressing other than an unqualified opinion during the two most recent fiscal years, furnish the opinion and reason.

c. Indicate whether there was any disagreement between the company and the former CPA regarding any of the following matters:

- (a) Accounting principles or practices.
- (b) Financial report disclosure.
- (c) Auditing scope or procedure.

If any disagreements did exist, the company shall describe in detail the nature of each such disagreement, how the company handled them (including whether the company has authorized the former CPA to respond fully to the inquiries of the successor CPA concerning the subject matter of each such disagreement), and how the disagreements were finally handled.

d. If any of the following has arisen, the company shall disclose the same:

- (a) The former CPA has once advised the company that it lacked sound internal controls necessary for the preparation of reliable financial reports.
- (b) The former CPA has once advised the company that he or she was unable to rely on the company's written representations, or was unwilling to be associated with the financial report prepared by the company.
- (c) The former CPA has once advised the company of the need to expand the scope of audit, or of information showing that an expanded audit might impact the reliability of either a previously issued financial report or the financial report to be issued, but the former CPA did not expand the scope of audit due to change of CPA or for any other reason.
- (d) The former CPA has once advised the company that information collected might impact the reliability of either a previously issued financial report or the financial report to be issued, but the former CPA did not deal with the issue due to change of CPA or for any other reason.

(2) Regarding the successor CPA:

- a. Name of the successor accounting firm, name of CPA, and date of engagement.
- b. If prior to the formal engagement of the successor CPA, the company has consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, the company shall disclose the subjects discussed during those consultations and the consultation results.
- c. The company shall consult and obtain written opinions from the successor CPA regarding the matters on which the company did not agree with the former CPA, and shall make disclosure thereof.

(3) The company shall mail to the former CPA a copy of the disclosures it makes pursuant to items (1) and (2)c of this subparagraph, and advise the accountant of the need to respond by mail within 10 days should the accountant disagree to the content of such disclosures. The company shall disclose the content of the reply letter from the former CPA.

6. Where the company's chairman, president (general manager), or any managerial officer in charge of finance or accounting matters has in the most recent fiscal year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a certified public accountant's accounting firm" shall mean one in which the accountants at

the accounting firm of the attesting CPA hold more than 50% of the enterprise's shares, or hold the majority of its directorship, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the CPA.

7. Any transfer of equity interests and/or pledge of or change in equity interests during the most recent fiscal year or the current fiscal year up to the date of printing of annual report by a director, supervisor, managerial officer, or shareholder required of reporting equity interest pursuant to Article 10 of the Act. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, relationship with the company as well as the company's directors, supervisors, and/or shareholders required of reporting equity interest pursuant to Article 10 of the Act, and the number of shares transferred or pledged. (Form 4)

8. Relationship information, if among the company's ten largest shareholders any one is a related party as defined in the Statement of Financial Accounting Standards No. 6, or is the spouse or a relative within the second degree of kinship of another. (Form 4-1)

9. The total number of shares and total equity interest held in any single enterprise by the company, its directors and supervisors, managerial officers (president (general manager), vice presidents (assistant general managers), assistant vice presidents (deputy assistant general managers), and heads of all the company's divisions and branches), and any companies controlled either directly or indirectly by the company. (Form 5)

#### Article 11

The section on shares issuance and dividends shall include the following information:

1. Source of capital stock: Describe the types of shares issued by the company during the preceding fiscal year and in the current fiscal year up to the date of the printing of the report. If approval has been granted to offer and issue securities by shelf registration, additionally disclose the approved amount and information regarding securities to be issued or already issued. (Form 6)

2. Shareholder structure: Provide statistics on the composition ratios of various types of shareholders. (Form 7)

3. Distribution of equity: Describe the distribution of the company's common shares and preferred shares. Provide a table that groups shareholders according to the number of shares held, and that further indicates the percentage of shares held by each different group. (Form 8)

4. List of major shareholders: List all shareholders holding 1 percent equity interest or more, or the names of the top ten shareholders, specifying the number of shares and percentage held by each such shareholder. (Form 9)

5. Information on share prices, company's net worth, earnings per share, dividends and related information for the past two fiscal years. If shares are distributed in connection with capitalization of earnings or capital surplus, disclose additionally information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution. (Form 10)

6. Company's dividend policy and implementation thereof: Disclose the



dividend policy adopted in the company's articles of incorporation, as well as dividend distributions proposed at the most recent shareholders' meeting. If a material change in dividend policy is expected, provide an explanation.

7. Effect of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting on business performance and earnings per share.

8. Employee bonus and remuneration to directors and supervisors:

(1) The percentages or ranges with respect to employee bonus and remuneration to directors/supervisors as set forth in the company's articles of incorporation.

(2) The basis for estimating the amount of employee bonus and remuneration to directors/supervisors, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

(3) Information on any employee bonus proposal approved by the board of directors:

a. Distribution of cash bonuses or stock bonuses to employees, and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, reasons therefor, and how it is treated shall be disclosed.

b. The amount of any proposed distribution of employee stock bonuses, and as a percentage of the sum of the current after-tax net income and total employee bonus.

c. Imputed earnings per share after taking into account any proposed distribution of employee bonus and remuneration to directors/supervisors.

(4) The actual distribution of employee bonus and remuneration to directors/supervisors for the previous fiscal year (including the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonus and director/supervisor compensation, additionally the discrepancy, reasons therefor, and how it is treated.

9. Share repurchases: Where a bills finance company has applied in the most recent fiscal year or the current fiscal year up to the date of printing of annual report, to repurchase its own shares, the company shall disclose the purpose, period, and price range of the repurchase, the types, quantity, and total value of shares repurchased, capital adequacy ratio before and after the share repurchase, the number of shares retired and/or transferred, the quantity of total treasury stock holdings, and total treasury stock holdings as a percentage of total shares issued, progress of and concrete actions taken for transferring the repurchased shares to employees, and restrictive measures imposed by the FSC due to failure to transfer all repurchased shares within three years from the date of repurchase. (Form 11)

Article 12

Information on the company's issuance of corporate bonds shall include outstanding bonds and bonds for which an issue is currently under preparation, and in accordance with Article 248 of the Company Act the

report shall disclose all the matters set forth thereunder and explain their effect on shareholders' equity. Any privately placed corporate bonds shall be conspicuously identified as such. (Form 12)

#### Article 13

Information on preferred shares shall include both outstanding and unissued shares for which an issue is currently under preparation, and shall disclose any conditions attached to issuance and their effect on shareholders' equity and the company's financial structure, the effect of redemption of preferred shares on the ratio of equity capital to risk-based assets, and matters set forth in Article 157 of the Company Act. Any privately placed preferred shares shall be conspicuously identified as such. (Form 13)

#### Article 14

Information on employee stock options shall include the following:

1. Unexpired employee stock options issued by the company as of the date of printing of annual report, and the effect of such options on shareholders' equity. Any privately placed employee stock options shall be conspicuously identified as such. (Form 14)
2. The names of managerial officers granted with employee stock options and the names of top ten employees by the number of shares subscribable under the employee stock options granted where the purchase price of such shares is NT\$30 million or more, the status of grant and share subscription, as of the date of printing of annual report. (Form 15)

#### Article 15

Information on merger and acquisition activities involving other financial institutions shall include the following:

1. Where the company has acquired another financial institution through merger or acquisition in the most recent fiscal year, the annual report shall disclose the CPA's opinion on the reasonableness of the share swap ratio.
2. If the bills finance company is listed on a stock exchange or over-the-counter, the annual report shall disclose information on the merger and acquisition of other financial institutions in the most recent five fiscal years. If the company has issued new shares for the acquisition of the shares of another financial institution, the annual report shall include an evaluation opinion prepared by the managing underwriter.
3. If the bills finance company is not listed on a stock exchange or over-the-counter, the annual report shall disclose the implementation status of new share issuance in the most recent quarter for the acquisition of the shares of another financial institution and the effect (of new share issuance) on shareholders' equity.
4. Where the board of directors has, during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, adopted a resolution approving a merger, acquisition, or issuance of new shares due to acquisition of shares of another financial institution, the annual report shall disclose the state of implementation and the basic information of the institution to be merged or acquired (Form 16). Where new shares are being issued due to a merger or acquisition of shares of another financial institution currently in progress, the annual report shall disclose the state of implementation and its effect on shareholders'

equity.

#### Article 16

Information on the implementation of the company's capital allocation plan shall include the following:

1. A description of the plan: For the quarter preceding the date of printing of annual report, with respect to each uncompleted public issue or private placement of securities or corporate bonds, or to such issues and placements that were completed in the most recent three fiscal years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement (of securities or corporate bonds). Such descriptions shall include any and all changes to the plan, the source of funds and the manner of their utilization, the reason(s) for any changes to the plan, the benefits yielded by the funds before and after any change to the plan, the date on which the change to the plan was reported at a shareholders' meeting, and the date on which such information was uploaded to the website specified by the FSC for reporting of information.

2. Status of implementation: With respect to funds utilization under the plans referred to in the preceding subparagraph, the annual report shall, up to the quarter preceding the date of printing of annual report, analyze the status of implementation and compare actual benefits with expected benefits. Where implementation has failed to yield the expected progress or benefits, the annual report shall provide specific reasons for the discrepancy, explain any effect it might have on shareholders' equity, and outline the improvement plan. Where any of the following sub-subparagraphs apply to the funds utilization plan referred to in the preceding subparagraph, the annual report shall further disclose the items set forth as follows:

(1) If the funds are used on merger or acquisition, expansion or new construction of fixed assets, the annual report shall compare the accounts of fixed assets and net income revenues before and after.

(2) If the funds are used on investment in another company, the annual report shall describe the condition of the invested company and explain the effect of such investment on the investment gain or loss of the company.

(3) If the funds are used to replenish the company's working capital or pay off debts, the annual report shall describe changes in the company's financial ratios and capital adequacy ratios, and compare the net profit (loss), operating revenues working capital and earnings per share before and after, and analyze the improvements achieved.

#### Article 17

The overview of business operations shall include the following:

1. A description of business:

(1) Scope of business: the company's major lines of business for each type of business and the relative weight of each by assets and/or income, their growth and changes; an example of the types of business for classification purpose is as follows:

- a. Bills business;
- b. Bonds business;
- c. Equity investment business; and
- d. Others.

(2) Business plan for the current year: current year' s business plan for each type of business.

(3) Market analysis: analysis of the geographic areas in which the company operates, demand and supply conditions for the market in the future, market growth potential, the company' s competitive advantages and positive and negative factors in future development, and the company's response strategies.

(4) Overview of research of financial products and business development:

a. Describe major financial products and new departments established within the two most recent fiscal years and the sizes and profit (loss) status of the new department as of the date of printing of annual report.

b. Describe R&D expenditure in the two most recent fiscal years and results thereof, and outline the future R&D plan.

(5) Long and short-term business development plans.

2. The number of employees employed for the two most recent fiscal years and the current fiscal year up to the date of printing of annual report, their average years of service, average age, the percentage of employees at each education level, professional licenses held by employees, and employee training. (Form 17)

3. Corporate responsibility and ethical conduct: The company' s contributions to public interest and academic culture, the company' s environmental protection system and efforts in sustained operations and creation of shareholder value.

4. Information equipment: Deployment and maintenance of major information systems, including hardware and software, future development or procurement plan, emergency back-up and security measures in place.

5. Labor relations:

(1) Describe employee benefit plans, retirement systems, and the status of their implementation, and labor-management agreements and measures for upholding employees' rights and interests.

(2) Describe any loss sustained as a result of labor disputes in the most recent fiscal year or the current fiscal year up to the date of printing of annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and mitigation measures. If the loss cannot be reasonably estimated, make a statement to that effect.

6. Important contracts: the contracting parties, major content, restrictive clauses, and the start/end dates of outsourcing contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts are either still effective as of the date of printing of annual report, or expired in the most recent fiscal year. (Form 18)

Article 18

The overview of the company' s financial status shall include the following:

1. Condensed balance sheets and income statements for the past five fiscal years, showing the name of the auditor CPA and the auditor CPA' s opinion given. (Form 19)

2. Financial analyses for the past five fiscal years: Include information on the company' s operating ability, profitability, financial structure, growth, cash flows, total secured loans to related parties and as a

percentage of total loans extended, operating scale and capital adequacy ratio, and explain changes in financial ratios over the past two fiscal years. If the bills finance company has prepared consolidated financial statements, disclose in addition the analysis of consolidated financial ratios. (Form 20)

3. Supervisors' report for the most recent fiscal year's financial statements.
4. Financial statements for the most recent fiscal year, including an auditor's report prepared by a CPA, a two-year comparative balance sheet and income statement, statement of changes in shareholders' equity, cash flow statement, and any attached notes or appendices.
5. A consolidated financial statement for the parent company and its subsidiaries for the most recent fiscal year, certified by a CPA.
6. If the company or its affiliates have experienced financial difficulties during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, the annual report shall explain how said difficulties will affect the company's financial situation.

The term "affiliates" as used in Subparagraph 6 of the preceding paragraph refers to entities meeting the requirements set forth under Article 369-1 of the Company Act.

#### Article 19

A bills finance company shall review and analyze its financial status and business performance, and shall assess its risk management and cover the following in its annual report:

1. Financial status: Main reasons for any material change in the company's assets, liabilities, or shareholders' equity during the two most recent fiscal years, and the effect thereof. Where the effect is of material nature, describe the response measures.
2. Business performance: Main reasons for any material change in net revenues and net income during the two most recent fiscal years, sales forecast and the basis therefor, and the possible effect on the company's finance and business operations as well as response measures.
3. Cash flows: Describe and analyze cash flow changes during the most recent fiscal year, corrective measures to be taken in response to inadequate liquidity, and a liquidity analysis for the coming fiscal year.
4. The effect of major capital expenditures during the most recent fiscal year on company's finance and business operations.
5. The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming fiscal year.
6. The section on risk management shall analyze and assess the following matters during the most recent fiscal year and the current fiscal year up to the date of printing of annual report:
  - (1) The company's risk management structure and policy.
  - (2) Method for monitoring and managing each risk category and quantification of risk exposure:
    - a. General qualitative disclosure: A bills finance company shall describe its risk management objectives and policies for each risk category (including credit risk, market risk, operational risk and other risks),

covering the following:

- (a) Strategies and procedures;
  - (b) Organization and structure of risk management system;
  - (c) The scope and characteristics of risk report and risk assessment system; and
  - (d) Hedging policy and strategies and procedures for monitoring the continual effectiveness of the policy.
- b. For credit risk, the annual report shall disclose the following:
- (a) For on-balance sheet items, disclose the amount of risk-based assets under respective applicable weight of credit risk. (Form 21)
  - (b) Disclose the total amount of bills/bonds repurchase agreement liabilities and bills/bonds reverse repurchase investment, general off-balance sheet arrangements and financial derivatives. (Form 22)
  - (c) Amount of exposures in connection with being a promoter of asset securitization and the securitized products held for the quarter prior to the date of printing of annual report. (Form 23 and Form 23-1)
- c. For bills finance companies that adopt the standardized approach to measure capital requirement for market risk, disclose the capital requirements for the following risks: (Form 24)
- (a) Interest rate risk.
  - (b) Equity risk.
  - (c) Options.
- d. For bills finance companies using an internal models approach to estimate market risk-based capital requirement, disclose the following for all asset pools to which the internal models approach applies:
- (a) Features of the model used. °
  - (b) Results of stress test for the asset pools. °
  - (c) Back testing of model and method of validation.
  - (d) Scope of application as approved by the FSC.
- e. For liquidity risk, conduct assets and liabilities maturation analysis and describe the methods for managing asset liquidity and liquidity gap. (Form 25)
- (3) The effect of major foreign and domestic policy and regulatory changes on the company' s finance and business operations, and response measures.
  - (4) The effect of technological and industry changes on the company' s finance and business operations, and response measures.
  - (5) The effect of bill finance company' s image changes on the company' s finance and business operations, and response measures.
  - (6) Expected benefits and potential risks of mergers and acquisitions.
  - (7) Expected benefits and possible risks associated with business base expansion, and mitigation measures.
  - (8) Business concentration risks and mitigation measures.
  - (9) Effect of the change in right of management on the company and association risks, and mitigation measures.
  - (10) Litigious and non-litigious events: If the outcome of a concluded or pending litigious, non-litigious or administrative litigation event involving the director, supervisor, president (general manager), major shareholders holding more than 1% equity interest, or subsidiary of the company might have material impact on shareholders' equity or the prices of the company' s securities, disclose the facts of dispute, amount of

claim, lawsuit start date, main parties concerned and current status as of the date of printing of annual report.

(11) Other important risks and mitigation measures.

7. Crisis management mechanism.

8. Other important matters.

Article 20

(Deleted)

Article 21

Special disclosures:

1. Information related to the company's affiliates: The consolidated business report, consolidated financial statements, and affiliation report for the most recent fiscal year, compiled in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.

2. Where the company has carried out a private placement of securities during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, disclose the date on which the private placement was approved by the board of directors or by a shareholders' meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, reasons for the private placement, the targets of private placement, their qualifications, subscription amounts, relationship with the company, participation in the operations of the company, actual subscription/conversion price, the difference between the actual subscription/conversion price and the reference price, the effect of private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of utilization of funds raised through the private placement, the implementation progress of the plan, and the realization of benefits of the plan. (Form 26)

3. Holding or disposal of company shares by the company's subsidiaries during the most recent fiscal year or the current fiscal year up to the date of printing of annual report. (Form 27)

4. Other matters that require additional disclosure.

Article 22

If any of the situations set forth in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which might produce material impact on shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, such situations shall be itemized in the annual report.

Chapter 3 Supplementary Provisions

Article 23

A public bills finance company shall upload an electronic file containing its annual report to the website specified by the FSC for reporting of information prior to the day on which a shareholders' meeting is to be held. Notwithstanding the foregoing, if the annual report is to be used as a supplemental material to the agenda handbook for the shareholders' meeting, the company shall upload the electronic file of the annual report to the aforementioned information reporting website within the time limit

required by the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.

Article 24

These Regulations shall enter into force from the date of promulgation.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System