

## Content

Title : Interpretation of Article 28-1, Paragraph 4 of the Securities and Exchange Act Regarding the Price of Shares Reserved for Subscription by a Company's Employees or Original Shareholders (Financial-Supervisory-Securities-Corporate-1040042207) **Ch**

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Article 28-1, paragraph 4 of the Securities and Exchange Act provides that, "The price of the shares publicly offered in compliance with paragraph 1 or 2 and the price of the shares in the same issue reserved for subscription by the company's employees or original shareholders shall be identical." If the underwriting of an aforesaid public offer of new shares employs the means of competitive auction specified below, the price of the shares in the same issue reserved for subscription by the company's employees or original shareholders shall be identical to the public issue price specified below:

1. If the total quantity of the successful bids in the competitive auction reaches the quantity offered to the public in the competitive auction, and the successful bidders subscribe to the shares at the price that they bid:

The price shall be calculated as the weighted average price based on the price and quantity of all the successful bids in the competitive auction. However, if this price exceeds a certain multiple of the minimum offering price for the competitive auction as negotiated between the underwriter and the issuer, the price shall be calculated as the certain multiple of the minimum offering price negotiated for the competitive auction.

2. If the total quantity of the successful bids in the competitive auction does not reach the quantity offered to the public in the competitive auction: The price shall be calculated as the minimum offering price that the underwriter has duly published in the announcement of the competitive auction.

3. The "certain multiple" in Point 1 may not exceed a maximum of 1.3 times; the term "minimum offering price" in Point 2 shall be negotiated between the underwriter and the issuer by the following means:

(1) For a cash offering of new shares for a capital increase in connection with an initial listing on the Taiwan Stock Exchange or the Taipei Exchange: The minimum offering price shall not be more than 70 percent of the simple arithmetic mean of the trade prices, after factoring out ex-rights trading in connection with issuance of stock dividends (or ex-rights trading in connection with capital reduction) and ex-dividend trading, for the 30 business days in which trades have been executed in Emerging Stock trading before the underwriter registers the competitive auction agreement with the Taiwan Securities Association. However, if the stock has not been registered and traded as an Emerging Stock, the minimum auction price

negotiated between the underwriter and the issuer shall be taken as the minimum offering price.

(2) For a cash offering of new shares for a capital increase by a company already listed on the Taiwan Stock Exchange or the Taipei Exchange: The minimum offering price shall not be less than 90 percent of the simple arithmetic mean of the closing common share price, after factoring out ex-rights trading in connection with issuance of stock dividends (or ex-rights trading in connection with capital reduction) and ex-dividend trading, calculated for either the one, three, or five business days before the underwriter registers the competitive auction agreement with the Taiwan Securities Association.

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