

Content

Title :	Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses <b>Ch</b>
Date :	2017.02.09
Legislative :	<ol style="list-style-type: none"><li>1. Full text of 20 articles adopted and issued by the Securities and Futures Commission, Ministry of Finance on 4 December 1984 per Order No. (73) Taiwan-Finance-Securities (1) 3440.</li><li>2. Amended and issued by the Securities and Futures Commission, Ministry of Finance on 31 December 1985 per Order No. (74) Taiwan-Finance-Securities (1) 01430.</li><li>3. Amended and issued, including addition of Article 17-1, by the Securities and Futures Commission, Ministry of Finance on 20 May 1986 per Order No. (75) Taiwan-Finance-Securities (1) 00526.</li><li>4. Amended and issued by the Securities and Futures Commission, Ministry of Finance on 16 April 1991 per Order No. (80) Taiwan-Finance-Securities (1) 00714.</li><li>5. Amended and issued in full (30 articles) by the Securities and Futures Commission, Ministry of Finance on 16 May 1995 per Order No. (84) Taiwan-Finance-Securities (1) 01156.</li><li>6. Amended and issued in full (30 articles) by the Securities and Futures Commission, Ministry of Finance on 16 June 1998 per Order No. (87) Taiwan-Finance-Securities (1) 01457.</li><li>7. Amended and issued in full (33 articles) by the Securities and Futures Commission, Ministry of Finance on 29 December 2000 per Order No. (89) Taiwan-Finance-Securities (1) 05497. Entered into force from the date of issuance</li><li>8. Amended and issued in full (36 articles) by the Securities and Futures Commission, Ministry of Finance on 22 May 2002 per Order No. (91) Taiwan-Finance-Securities (1) 003162. Entered into force from the date of issuance</li><li>9. Articles 3, 6, 9, 10, 11, 22, 23, 25, 27, 28, 29, 30, 32, 33, and 35 amended and issued and Article 28-1 added by the Securities and Futures Commission, Ministry of Finance on 29 April 2003 per Order No. Taiwan-Finance -Securities (1) 0920001804.</li><li>10. Articles 3, 6, 9,17, 18, 22, 29, 32, and 33 amended and issued and Article 29-1 added by the Securities and Futures Commission, Ministry of Finance on 30 December 2003 per Order No. Taiwan-Finance-Securities (1) 0920005331</li><li>11. Full 37 articles issued 21 December 2004 per Order No. Financial-Supervisory-Securities-I- 0930006127 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of issuance</li><li>12. Articles 9, 10, 16, 17, 26, Table 13 referenced in Article 11, and Table 56 referenced in Article 31 amended and issued 11 January 2006 per Order No. Financial-Supervisory-Securities-I-0950000220 of the Financial Supervisory Commission, Executive Yuan</li><li>13. Articles 10, 11, and 31 amended and issued 4 January 2007 per Order No. Financial-Supervisory-Securities-I-0950005990 of the Financial Supervisory Commission, Executive Yuan</li><li>14. Articles 10 to 15 and 31 amended and issued 27 December 2007 per Order No. Financial-Supervisory-Securities-I-0960070693 of the Financial Supervisory Commission, Executive Yuan</li><li>15. Articles 10 and 31 amended and issued 25 December 2008 per Order No. Financial-Supervisory-Securities-I-0970068986 of the Financial Supervisory Commission, Executive Yuan</li><li>16. Articles 3, 10, 11, 18, 22, 23, 25, 27, 30, 31, and 33 amended and issued per 22 December 2009 Order No. Financial-Supervisory-Securities-Corporate-0980068243 of the Financial Supervisory Commission, Executive Yuan</li><li>17. Articles 5, 10, and 31, and Table 9 of Article 11 amended and issued</li></ol>

per 12 January 2011 Order No. Financial-Supervisory-Securities-Corporate-100000496 of the Financial Supervisory Commission, Executive Yuan  
18. Full text of 39 articles amended and issued per 20 September 2012 Order No. Financial-Supervisory-Securities-Corporate-1010039280 of the Financial Supervisory Commission; for enforcement from the date of issuance  
19. Articles 20, 26, and 34, Table 1 of Article 7, Table 56 of Article 27, and Table 66 of Article 36 amended and issued per 31 December 2013 Order No. Financial-Supervisory-Securities-Corporate-1020053220 of the Financial Supervisory Commission  
20. Articles 3, 6, 10, 20, 22, 24, 31, 34, and 36 and Table 29 of Article 15, Table 32 of Article 16, Table 52 of Article 26, and Tables 61, 63, and 64 of Article 32 amended and issued, and Article 35 deleted, per 29 January 2015 Order No. Financial-Supervisory-Securities-Corporate-1040001648 of the Financial Supervisory Commission  
21. Article 11, and Tables 5 and 6 of Article 10, and Table 65-1 of Article 34 amended and issued per 6 August 2015 Order No. Financial-Supervisory-Securities-Corporate-1040029334 of the Financial Supervisory Commission  
22. Articles 6, and 10, and Table 29 of Article 15, Table 32 of Article 16, and Tables 58, 59, 61 and 62 of Article 32 amended and Article 38 deleted per 9 February 2017 Order No. Financial-Supervisory-Securities-Corporate-1060002304 of the Financial Supervisory Commission

Content : Chapter I General Principles

Article 1

These Regulations are prescribed in accordance with Article 30, paragraph 2 of the Securities and Exchange Act.

Article 2

The basic principles for preparing a prospectus are as follows:

1. The content of the prospectus shall be detailed, truthful, clear, and unambiguous. The wordings and descriptions shall be easy to understand. No false information or omission is allowed therein.
2. The content of the prospectus must be updated in a timely manner. All transactions or other events occurring before the printing of the prospectus which are sufficient to affect interested parties' judgment shall be disclosed.

Article 3

On the front cover of the prospectus, the common stock code shall be printed in the upper right hand corner, and the following particulars shall be printed in sequential order:

1. The name and seal of the company or preparatory office.
2. Where the prospectus is prepared for the purpose of issuing the following securities:
  - A. Issuance of new shares: the source of this new issue, types of new shares, number of shares, value, conditions of the issue, the public underwriting ratio, and manner of underwriting and sale allocation. If there are specially agreed conditions for preferred shares, the page number in the prospectus where these are set forth in full shall be separately noted.
  - B. Issuance of corporate bonds: types, value, interest rate, conditions of issue, the public underwriting ratio, and manner of underwriting and sales allocation. If there are conversion or subscription features, the page number in the prospectus where these are set forth in full shall be separately noted.
  - C. Issuance of employee stock warrants: number of units issued, number of shares subscribable per stock option certificate, option exercise conditions, and method of performance. For option exercise conditions,

readers may be referred simply to the page number in the prospectus where such conditions are listed in full.

D. Issuance of new restricted employee shares: type of issue, number of shares, value, and conditions of issue. For conditions of issue, readers may be referred simply to the page number in the prospectus where the conditions are listed in full.

E. Establishment by public offering: authorized capital amount, source of the current issue of new shares, types of new shares, number of shares, value, conditions of issue and the number of shares subscribed by the promoters.

F. Other.

3. Summary of the purpose of the capital application plan and the projected possible effect thus created. The page numbers in the prospectus where this is set forth in full shall also be noted.

4. Fees and charges related to the current issue:

A. Underwriting fees.

B. Other fees and charges, including such other fees and charges as related to certified public accountants and attorneys (no itemization is required).

5. The following statements shall be printed in a conspicuous manner:

A. The effective registration of the securities may not be cited in an advertisement as proof of the veracity of registration particulars, or to guarantee the value of the securities.

B. If the prospectus contains false or omitted information, the issuer and its responsible person and all other persons who sign or affix their seal on the prospectus shall be held liable in accordance with laws.

C. Before making any investment, investors shall go to the information disclosure website designated by the Financial Supervisory Commission (FSC) to carefully read the content of the prospectus and take note of the company's risks. The page number in the prospectus where these are set forth in full must be separately noted.

D. The web addresses for enquiry about the prospectus, including the address of the information disclosure website designated by the FSC and the web address used by the company to disclose information relating to the prospectus.

6. Publication date.

A prospectus prepared in order to register for public offering and issuance of securities shall note on its front cover that it is a draft version for the purpose of such registration.

Where any of the following occurs, the company shall make a statement to that effect in bold typeface on the cover of the prospectus:

1. Where there has been a change in the common stock code referred to in the preceding paragraph, both the original stock code and the new stock code shall be printed in the fiscal year in which such change occurred and in the 2 consecutive fiscal years thereafter.

2. Where there has been a change in the company name as referred to in the first paragraph, the change shall be disclosed by printing the new and old names adjacently in the fiscal year in which such change occurred and in the 2 consecutive fiscal years thereafter.

3. If stabilization operations are proposed in connection with cash capital increase in accordance with the relevant regulations, the following

statement shall be noted: "To deal with price fluctuations in the stock market, the underwriter may proceed with stabilization operations regarding the issued shares of the current right issue if necessary."

4. Where an issuer is registering to issue shares at below par value, it shall also note that the company is issuing the new shares at a discount.

5. The par value of the shares.

6. Where an issuer is registering to issue straight corporate bonds and purchasers of the bonds are restricted, it shall note the restriction.

7. Where new shares are issued upon merger or acquisition (including merger or consolidation, acquisition, or split) or acquisition of another company's shares, if there are any restrictions on transfer or pledge of the issued shares, such restrictions shall be noted.

8. For cases of establishment by offering and of public offerings by companies whose shares are neither listed on the stock exchange (hereinafter, are "unlisted") nor traded on an over-the-counter (OTC) market, the following shall also be noted: "The shares are neither listed on the stock exchange nor traded on an OTC market."

#### Article 4

The inside cover of the prospectus shall be printed with the following items relevant to the current issue in sequential order:

1. Sources of the paid-in capital before the current issue, including cash capital increase, capital increase through capitalization of retained earnings, capital increase through capitalization of capital reserve, capital increase in connection with a merger, and other sources of funds, and the respective ratio thereof compared with the paid-in capital amount.

2. The prospectus distribution plan: describing the places for displaying the prospectus, ways of distribution, and methods for requesting and obtaining the prospectus.

3. Name, address, website uniform resource locator (URL), and telephone number of the securities underwriter.

4. Name, address, website URL, and telephone number of the corporate bonds guarantor.

5. Name, address, website URL, and telephone number of the corporate bonds trustee.

6. Name, address, website URL, and telephone number of share or corporate bonds certification institution.

7. Name, address, website URL, and telephone number of the entity handling shares transfer and recordation.

8. Name, address, website URL, and telephone number of the credit rating institution.

9. Firm names, addresses, website URLs, telephone numbers, and the names of the certifying lawyer and certified public accountant (CPA) for the corporate bonds.

10. Firm name, address, website URL, telephone number, and the name of the CPA who attested the most recent year's financial report.

11. Name, address, website, and telephone number of the reviewing attorney.

12. Names, titles, contact telephone numbers, and e-mail addresses of the spokesperson and deputy spokesperson.

13. Company website URL.

#### Article 5

The back cover of the prospectus shall be stamped with the company seal and signed or sealed by the responsible person.

The securities underwriter and its responsible person, accountant, attorney, and other experts shall sign or seal the prospectus indicating their endorsement of the part for which they are responsible.

#### Article 6

When a company registers to offer and issue securities pursuant to Article 6, paragraph 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, or when it registers an initial public issuance of its stock pursuant to Article 66, paragraph 1 of the same Regulations, the content of a prospectus, unless otherwise provided in Chapter IV (Prospectus for Incorporation by Offering), shall include the information set forth in Chapter II.

When a company that is neither listed on a stock exchange nor traded on an OTC market issues new shares in connection with a cash capital increase without holding a public offering, or issues corporate bonds with warrants, or convertible corporate bonds, or new shares in connection with a merger or acquisition, or new shares in connection with acquisition of another company's shares, or when a public company issues employee stock warrants, or new restricted employee shares, or once again registers a public offering and issuance of securities in the same fiscal year it has previously done so, the contents of the prospectus shall include:

1. The front cover, inside cover, and back cover: Shall include the information set forth in Article 3 to Article 5.
2. Company summary: Shall include the information set forth in Article 8, Article 9, Article 10, paragraph 1, subparagraphs 2 and 4, and Article 11, subparagraph 2, subparagraph 3, items 3 and 4, subparagraph 4, and subparagraph 7.
3. Operation summary: Shall include the information set forth in Article 19, subparagraph 1, items 1 to 3 and subparagraph 2, items 1 and 4, Article 21, subparagraphs 1 and 3, and Article 22.
4. Issuance plan and implementation status: Shall include the information set forth in Article 24, Article 25, and Article 26, subparagraphs 1 to 5.
5. Financial summary: Shall include the information set forth in Article 27, subparagraph 4, Article 28 (but not including the notes and schedules of the financial reports and statements of major accounting items), Article 29, subparagraph 2, and Article 30.
6. Special items to be included: Shall include the information set forth in Article 31, paragraph 1, subparagraph 1, item 2, subparagraphs 2 to 5, subparagraph 7, subparagraph 9, subparagraph 11, and subparagraph 12 and Article 32.

When a company registers to issue straight corporate bonds, the contents of the prospectus shall include:

1. If the purchasers are not limited to professional investors as defined in the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds ("TPEX Rules on International Bonds"):
  - A. The information required to be specified on the front cover, inside cover, and back cover as set forth in Article 3 to Article 5.
  - B. The issuer's basic information, issuance rules, and planned utilization of funds.

- C. The condensed balance sheet and statement of comprehensive income for the most recent 3 years and the most recent period.
- D. Any risks related to credit.
- E. The concluding opinion of the securities underwriter.
- F. The securities underwriter's undertaking that the collected underwriting fees will not in any manner or under any name be used to compensate, or be returned to, the issuer or its related parties or any of their designated persons.

2. If the purchasers of the bonds are limited to professional investors as defined in the TPEX Rules on International Bonds, the content of the prospectus shall comply with the requirements set out in Items A, B, E, and F of the preceding subparagraph

If the FSC has promulgated separate rules/regulations for special industries like banks, bill financing, securities, futures, insurance, financial holding, and investment trust, those rules/regulations shall be complied with.

#### Article 7

The items required under these Regulations shall all be included in a prospectus, which shall also contain an index, page references and summary (Table 1). If any required information is unavailable or is omittable per SEC approval, "None" or "N/A" shall be marked following that item.

If noting of any required information would be repeated, such information may be noted just at one item/place. The referenced page shall be noted at all other items/places.

#### Chapter II Content

##### Section I Company Summary

#### Article 8

The "brief company description" shall include the following items:

1. Date of incorporation.
2. Addresses and telephone numbers of the head office, branches and factories/plants.
3. Company history: disclosure of status of mergers and acquisitions for the most recent 5 years and up to the date of printing of the prospectus, important instances of plant expansion, introduction of new products, cases where a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, changes of management control and any other important incidents which are likely to affect investors' interests, and the influence thereof to the company, and if early years' information of the company is critical for understanding the development of the company, such information shall also be disclosed.

#### Article 9

The following risks shall be noted:

1. Risk factors: The prospectus shall analyze and assess the following matters during the most recent fiscal period and up to the date of printing of the prospectus:
  - A. The impact upon the company's balance sheet of inflation and changes in interest and exchange rates, and the measures the company plans to adopt in response;
  - B. High-risk investments, highly leveraged investments, loans to other

parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

C. Future research and development projects, and expenditures expected in connection therewith;

D. The impact upon the company's financial operations of important policy and legal developments at home and abroad, and the measures the company plans to adopt in response;

E. The impact on the company's financial operations of developments in science, technology, and industry, and the measures the company plans to adopt in response;

F. The impact of changes in the company's image upon its crisis management, and the measures the company plans to adopt in response;

G. The expected benefits and potential risks of any merger or acquisition, and measures to be adopted in response;

H. The expected benefits and potential risks of any plant expansion, and measures to be adopted in response;

I. The risks associated with any consolidation of sales or purchasing operations, and measures to be adopted in response;

J. Effect upon and risk to the company if a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and measures to be adopted in response;

K. Effect upon and risk to the company associated with any change in governance personnel or top management, and measures to be adopted in response.

L. Other important risks and measures to be adopted in response.

2. Litigious and non-litigious matters:

A. If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case.

B. If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall disclose the information set forth in sub-subparagraph (1) above.

C. The prospectus shall note the occurrence of any event set forth under Article 157 of the Securities and Exchange Act that involves a company director, supervisor, its general manager, or any major shareholder with a stake of more than 10 percent, provided the event occurred in the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus. The prospectus shall also note how the company is

currently handling the matter.

3. If a company director, supervisor, its general manager, or a major shareholder with a stake of more than 10 percent has experienced financial difficulties or lost creditworthiness within the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall note the effect on the company's financial status.

4. The prospectus shall note any other important matters.

#### Article 10

The section on company organization shall include the following items:

1. Organization system: setting forth the company's organizational structure and the business in which each major department engages.

2. Chart of affiliated enterprises: setting forth the relationship between the company and its affiliated enterprises, cross-shareholding ratios, numbers of shares held, and actual investment amounts.

3. General manager, assistant general manager(s), deputy assistant general manager(s), and the manager of each department and branch institution: (Table 2)

A. Name, gender, nationality, work experience (educational background), amount and nature of shareholdings: setting forth the names; major work experience (educational background); positions concurrently held with other companies; job commencement date; number of shares held by them, their spouses, minor children, and held through nominees; and the acquisition of employee stock warrants.

B. For those who are the spouses of or are related to the general manager or assistant general manager within the second degree of kinship, they shall also set forth their corporate position, name and relationship to the general manager or assistant general manager.

4. Directors and supervisors: (Tables 3 and 4)

A. Name, gender, nationality or place of registration, work experience (educational background), amount and nature of shareholdings: setting forth the names; major work experience (educational background); positions concurrently held with this and other companies; appointment date and term; date of initial appointment; number of shares held by them at the time of appointment and those held presently by them, their spouses, minor children, and held through nominees, and the possession of professional knowledge. In the case of the representative of a corporate shareholder, the name of the corporate shareholder and the names of its 10 largest shareholders (and the holding percentage of each) shall be noted. If any of those 10 largest shareholders is a corporate shareholder, the name of the corporate shareholder and the names of its 10 largest shareholders (and the holding percentage of each) shall be noted.

B. For those who are the spouses of or are related within the second degree of kinship to other managers, the directors or supervisors, they shall also set forth their corporate position, name and relationship to those other managers, the directors or supervisors.

5. Promoters:

A. For companies established for less than 1 year, relevant information of promoters whose shareholding percentage is among the top ten of the company shareholders shall be disclosed as pursuant to the previous subparagraph.

B. For companies established for less than 3 years, all important transactions (including property transactions and financing of funds) between the promoters and the company since incorporation, other than the normal business transactions, shall be disclosed. For property transactions, the nature and location of the transacted item and the method for determining the transaction price shall also be disclosed. For properties purchased from a promoter, if the promoter bought the properties less than 2 years before selling them out, the promoter's purchasing costs shall also be explained.

6. Remuneration paid to directors, supervisors, general manager, and assistant general manager(s) for the most recent fiscal year (Tables 5 and 6):

A. The company may opt either to disclose aggregate remuneration information, with the name(s) indicated for each remuneration range, or to disclose the name of each individual and the corresponding remuneration amount.

B. If any of the following applies to the company, it shall disclose the remuneration paid to each individual director and supervisor:

a. A company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the most recent 2 fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to make up the accumulated deficits.

b. A company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors; one that has had an insufficient supervisor shareholding percentage for 3 consecutive months or more during the most recent fiscal year shall disclose the remuneration of individual supervisors.

c. A company that has had an average ratio of share pledging by director supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director supervisor having a ratio of pledged shares in excess of 50 percent for each such month.

d. If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the company shall disclose the remuneration paid to that individual director or supervisor.

C. Compare and analyze the total remuneration as a percentage of net income stated in the parent company only financial reports or individual financial reports, paid by this company and by all consolidated entities (including this company) for the most recent 2 fiscal years to each of this company's directors, supervisors, general managers, and assistant general managers, and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

"Affiliated enterprise" in subparagraph 2 of the preceding paragraph refers to an affiliated enterprise meeting the requirements in Article 369-1 of the Company Act.

#### Article 11

The section on "capital and shares" shall include the following items:

1. Types of shares: describing the types of the currently outstanding issued shares of the company. (Table 7)
2. Formation of capital:
  - A. A description of the capital changes of the company for the most recent 5 years and up to the date of printing of the prospectus. If the paid-in capital has been increased, the prospectus shall note the sources of capital, the effective date for the current capital increase, the approval letter reference number and the amount. If shares are issued at less than par value, such information shall be prominently indicated. If monetary claims against the company or technology needed by the company are offset against share payments, such information shall be specified, and the type and amount of such offset shall also be noted.
  - B. If a private placement, such fact shall be prominently indicated, and information shall be furnished on the status of any private placement of common shares during the three most recent fiscal years up to the date of printing of the prospectus, disclosing the date on which the private placement was approved at a shareholders meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees and relationship between the offerees and the company shall also be described); the reasons why the private placement was necessary; the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription price, the difference between the actual subscription price and the reference price; the effect of the 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 use of the capital raised through the private placement of common shares, the implementation progress of the plan, and the realization of the benefits of the plan. (Table 8)
3. Status of recent dispersal of shareholding:
  - A. Shareholder structure: setting forth statistics of all types of the shareholders and the ratio thereof. (Table 9)
  - B. Status of dispersal of shareholding: setting forth the statistics of number of shareholders for each category of shareholder classified by various number of shares held by the shareholders, and the ratio between the number of the held shares to the total outstanding issued shares. (Table 10)
  - C. List of major shareholders: setting forth the names, number of owned shares and the shareholding percentage of those who own 5 percent or more of the total issued shares or whose shareholding percentage is among the top ten of all the shareholders. (Table 11)
  - D. The status that directors, supervisors and shareholders holding more than 10 percent of outstanding shares had waived their subscription right

to the cash capital increase during the past 2 fiscal years and in the current fiscal year. If the subscription to the cash capital increase being waived was subscribed by related person who was designated for such subscription, the name of such related person, its relationship with the company, directors, supervisors and shareholders holding more than 10 percent of outstanding shares, and the number of the shares thus subscribed shall also be disclosed. (Table 12)

E. The status of changes that directors, supervisors and shareholders holding more than 10 percent of outstanding shares had transferred and pledged their shares during the past 2 fiscal years and up to the prospectus' publishing date. If the counter party of such transfer or pledge of shares is a related person, the name of such counter party, its relationship with the company, directors, supervisors and shareholders holding more than 10 percent of outstanding shares, and the number of the shares thus acquired or pledged shall also be disclosed. (Table 13)

F. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another. (Table 14)

4. The per share market price, net worth, profit, dividend and relevant information for the past 2 fiscal years. (Table 15)

A. The highest, lowest and the average market price per share: Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

B. Net worth per share: Using the number of the outstanding issued shares at year end as the basis to calculate the respective net worth per share (shareholder's equity) before and after the distribution.

C. Earnings per share.

D. Dividend per share: Setting forth the respective cash dividend and stock dividend of each fiscal year. If there are any cumulated and unpaid dividends, their amount shall also be disclosed.

E. Price-earnings (P/E) ratio

F. Price-dividend (P/D) ratio

G. cash dividend yield.

5. Company dividend policy and implementation status: Shall disclose the dividend policy set forth in the company's Articles of Incorporation and status of dividend distributions contemplated (decided) in the current fiscal year.

6. The effect of dividend distributions contemplated for the current fiscal year on company operating performance and earnings per share.

7. Compensation of employees, directors, and supervisors, including:

A. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation;

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

C. Information on any approval by the board of directors of distribution of

compensation:

a. The amount of any employee compensation distributed in cash or stocks and director/supervisor compensation . If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed;

b. The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation.

D. Report on the status and result of compensation distribution at a shareholders' meeting.

E. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

8. Status of company buyback of corporate stocks: companies shall describe, for the 3 most recent fiscal years and the period up to the date of printing of the prospectus, the purpose of the application for buyback of corporate stocks, the time period of buying back stocks, the price range for buybacks, the categories, number, and dollar amount of stocks that have already been bought back, the number of stocks that have already been canceled and transferred, the accumulated number of corporate stocks, and the ratio of the accumulated number of corporate stocks to the total number of issued stocks. (Table 16)

#### Article 12

The description of the status of issue and private placement of "corporate bonds" (including overseas corporate bonds) shall include the following items:

1. For all unredeemed corporate bonds and corporate bonds undergoing private placement, items to be disclosed shall be in accordance with Article 248 of the Company Act. If an FSC-approved or FSC-recognized credit rating institute has been engaged to conduct credit rating thereof, the name of the credit rating institute, the date of the rating and the credit rating result on the corporate bonds shall also be disclosed. If they are attached with conversion, exchange, or subscription rights, the issuance and conversion, exchange, or subscription rules, the possible dilution conditions and influence on shareholders' interests caused by the terms of issuance, and the monetary amount already converted, exchanged, or subscribed up to the prospectus' publishing date shall also be disclosed. (Table 17)

2. Corporate bonds maturing within 1 year: The redemption rules and the monetary amount for the corporate bonds to be matured in 1 year shall be disclosed.

3. For the issued convertible corporate bonds which are convertible to shares, overseas depositary receipts or any other securities, the issuance date, the conversion price at the time of issue and the conversion method, and the highest and lowest market and conversion price for the past 2 fiscal years and up to the prospectus' publishing date of each convertible

corporate bond shall be disclosed respectively. (Table 18)

4. For the issued exchangeable corporate bonds, the issue date, the exchanged items, the exchange price at the time of issue, the highest and lowest market price and exchange price and the number of the exchanged items held by the company for the past 2 fiscal years and up to the prospectus' publishing date of each exchangeable corporate bond shall be disclosed respectively. (Table 19)

5. If the company adopts the shelf registration method for the raising and issue of common corporate bonds, relevant information concerning the projected total issue amount, the already issued total amount and the balance amount for the shelf registration shall be disclosed. (Table 20)

6. If the company has already issued corporate bonds with warrants, a separate listing of the issuance date of each corporate bond attached with warrants, the category and number of bonds issued with warrants attached, the restricted subscription time period, the method of fulfilling the agreement, the stock subscription price, the number that have not been subscribed up to the date of the prospectus's printing, and the ratio of the number that have not been subscribed to the total number of issued stocks. (Table 21)

7. Status of any private placement of corporate bonds during the 3 most recent fiscal years up to the date of printing of the prospectus: Shall disclose the types of corporate bonds; the date on which the private placement was approved at a shareholders or board of directors meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees and the relationship between the offerees and the company shall also be described); the reasons why the private placement was necessary; the targets of the private placement, their qualifications, subscription amounts, subscription price, 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 the 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 use of the capital raised through the private placement of corporate bonds, the implementation progress of the plan, and the realization of the benefits of the plan. (Table 22)

#### Article 13

The description of the status of issue and private placement of "preferred shares" shall include the following items:

1. For all outstanding preferred shares and preferred shares undergoing private placement, the par value per share, issue price, the effect of issuance terms on preferred share shareholders' equity, possible conditions of dilution, effect on shareholders' equity, and items provided under Article 157 of the Company Act shall be disclosed. If they are attached with conversion or subscription rights, the issuance and conversion rules or subscription rules (including enjoyment and assumption, after the compulsory conversion of the original preferred shares, of rights and obligations existed on the original preferred shares before conversion, such as dividends that have not yet been distributed) and the monetary

amount already converted or subscribed up to the prospectus' publishing date shall also be disclosed. (Table 23)

2. For already issued preferred shares attached with warrants, a separate listing of the issuance date of each corporate bond attached with warrants, the category and number of bonds issued with warrants attached, the restricted subscription time period, the method of fulfilling the agreement, the stock subscription price, the number that have not been subscribed up to the date of the prospectus's printing, and the ratio of the number that have not been subscribed to the total number of issued stocks. (Table 24)

3. For preferred shares already listed on the stock exchange or traded on an OTC market, the highest and lowest market price of those shares for the past 2 fiscal years and up to the prospectus' printing date shall be set forth.

4. Where a company listed on the stock exchange or traded on an OTC market issues preferred stocks that are not listed or not OTC-traded, the purpose of issuance, the reason for not being listed or OTC-traded, the effect on current shareholders' and investors' interests, and whether there is any plan for applying for listing or OTC trading in the future.

5. Status of any private placement of preferred shares during the 3 most recent fiscal years up to the date of printing of the prospectus: Shall disclose the types of preferred shares; the date on which the private placement was approved at a shareholders meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees and the relationship between the offerees and the company shall also be described); the reasons why the private placement was necessary; the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription price, the difference between the actual subscription price and the reference price; the effect of the 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 use of the capital raised through the private placement of preferred shares, the implementation progress of the plan, and the realization of the benefits of the plan. (Table 25)

#### Article 14

The description of the status of participation in the issue and private placement of "overseas depositary receipts" shall include the following items: (Table 26)

1. For the participated and issued but not yet entirely redeemed overseas depositary receipts and depositary receipts undergoing private placement, the following items shall be noted:

A. Issue date, and place of issue and trading.

B. Total monetary amount issued, the unit issued price and total units issued.

C. The securities represented by the overseas depositary receipts, as well as their sources and amount.

D. Rights and obligations of the holders of the overseas depositary

receipts.

E. The trustee, the depository institution, and the custodian institution.

F. The unredeemed balance amount of the overseas depository receipts.

G. The allocation methods on the relevant costs incurred as a result of the issuance and during the effective period.

H. The important items agreed in the depository and the custodian contracts.

2. The companies who have participated in the issuance of overseas depository receipts shall set forth the highest and lowest market price of those overseas depository receipts for the past 2 fiscal years and up to the prospectus' publishing date.

3. Status of any private placement of overseas depository receipts during the 3 most recent fiscal years up to the date of printing of the prospectus: Shall disclose the date on which the private placement was approved at a shareholders meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees and the relationship between the offerees and the company shall also be described); the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription price, the difference between the actual subscription price and the reference price; the effect of the 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 use of the capital raised through the private placement of overseas depository receipts, the implementation progress of the plan, and the realization of the benefits of the plan. (Table 27)

#### Article 15

The description of the status of issue and private placement of employee stock warrants shall include the following items:

1. For employee stock warrants issued by the Company but not yet mature, the date of effective registration from the competent authority; issue date, number of units issued; ratio of subscribable shares to total issued shares; subscription period, exercise method; period and ratio in which subscription is restricted; number of shares that have been obtained through exercise of subscription rights, NT dollar amount of the shares subscribed, number of shares that have not been subscribed, subscription price per share of the unsubscribed shares, and ratio of the number of unsubscribed shares to the number of issued and outstanding shares up to the date of printing of the prospectus, and effect on shareholders' equity. (Table 28)

2. Names and subscription status of managerial officers who have obtained employee stock warrants and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock warrants acquired, cumulative to the date of printing of the prospectus. (Table 29)

3. Status of any private placement of employee stock warrants during the 3 most recent fiscal years up to the date of printing of the prospectus: Shall disclose the date on which the private placement was approved at a

shareholders meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees as entities or individuals and the relationship between the offerees and the company shall also be described); the reasons why the private placement was necessary; the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription price, the difference between the actual subscription price and the reference price; the effect of the 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 use of the capital raised through the private placement of employee stock warrants, the implementation progress of the plan, and the realization of the benefits of the plan. (Table 30)

#### Article 16

The description of the status of "new restricted employee shares" shall include the following items:

1. Dates of effective registration from the competent authority for all new restricted employee shares under which the vesting conditions have not been fully met; issue date; number of shares issued; number of shares still available for issuance; issue price; vesting conditions; restricted rights; custody status; measures to be taken when vesting conditions are not met; number of shares that have been redeemed or bought back; number of shares in which the restrictions on rights have been released; number of shares in which the restrictions on rights have not been released; and ratio of the number of shares in which the restrictions on rights have not been released to the number of total issued shares and the effect on shareholders' equity. (Table 31)

2. Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of printing of the prospectus. (Table 32)

#### Article 17

The description of the status of mergers and acquisitions shall include the following items:

1. The following particulars shall be disclosed for all merger or acquisition cases in process:
  - A. Purpose of the merger or acquisition.
  - B. Plan for integration of finances, business, personnel, and information following the merger or acquisition, and anticipated benefits.
  - C. Share conversion rates and the basis upon which they were calculated.
  - D. Proposed schedule for the merger.
  - E. Matters related to the assumption of rights and obligations of the extinguished company (including principles for handling treasury shares and already-issued equity securities).
  - F. The basic information of the company to be merged or acquired (including company name, principal lines of business, current products and their uses, or service items).
2. The following particulars shall be disclosed for all split plans in

process:

- A. Purpose of the split.
- B. Estimated value of the operations and assets planned to be assigned to the existing company or new company.
- C. Share conversion rates and the basis upon which they were calculated.
- D. Matters related to assumption by the existing company or new company of rights and obligations of the split company (including principles for handling treasury shares and already-issued equity securities).

Article 18

The following items shall be disclosed for any issue of new shares in connection with any acquisition of shares of another company, where still in process:

1. Names, quantities, and counterparts of the acquired shares;
2. Proposed progress schedule;
3. Share conversion rates and the basis on which they were calculated;
4. Conditions and restrictions on future transferal of the acquired shares;
5. If the counterpart of the acquisition of the shares of another company is an affiliated enterprise or related person, the relationship with the affiliated enterprise or related person shall also be specified, as well as the reason for the selection of the affiliated enterprise or related person, and an opinion appraising whether shareholders' equity would be affected;
6. Share swap cooperation agreement.

Section II Operation Summary

Article 19

The description of the "operation of the company" shall include the following items:

1. Business content:
  - A. Scope of business: Setting forth the main line(s) of business engaged in by the company and its percentage out of the entire company business, company's current products (services), and the new products (services) planned to be developed.
  - B. Industry summary: Describing the industry's current condition and development, relations with industries upstream, downstream and at the same level, various trends of product development and competition status.
  - C. Technology and research & development summary: Setting forth the technological arrangement in business operations, research & development, personnel involved in research & development and their educational background and employment history, along with their invested research costs each year for the last 5 years and any successfully developed technologies or products.
  - D. Long and short term plans for business development.
2. Summary of market and production/sales
  - A. Market analysis: Analyzing the areas/regions of sales (supply) of the company's major products (services), market share, market's future supply/demand conditions and development potential, competitive niche, and the advantageous and disadvantageous factors for future development and policies for dealing with them.
  - B. Important use and production process for the major products.
  - C. Supply status of the major raw materials.

D. Description of major gross profit margin changes by each department classification or major product classification for the most recent 2 years: When the gross profit margin fluctuates over 20 percent from the previous year's rate, analysis of the key factors causing the price/volume changes and their impact on the gross profit margin shall be made. For construction companies or companies with construction departments, setting forth an analysis on the estimated recognized income and gross profit for each construction project during the year of registration and the preceding year, and describing whether there are any unusual events involved in the gross profit margin of each construction project and the expected sales for projects that have been completed but not yet sold. (Tables 33, 34)

E. List of principal suppliers and clients: Setting forth the names of any suppliers (clients) that have supplied (sold) 10 percent or more of the company's procurements (sales) in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such procurements (sales) as a percentage of total procurements (sales), and explaining the reason for any change in the amount; provided however, that Where the company is prohibited by contract from revealing the name of a trading counterpart, or where a trading counterpart is an individual person who is not a related party, a code may be used in place of such trading counterpart's actual name. (Tables 35, 36)

F. Production for the most recent 2 fiscal years: Setting forth production by volume, production by value, and production capacity for the most recent 2 fiscal years by each department classification or major product classification, and an analysis of any changes. (Table 37)

G. The sales volume and value for the most recent 2 fiscal years: Setting forth the sales volume and sales value for the most recent 2 fiscal years by each department classification or major product classification, and an analysis of any changes. (Table 38)

3. Number of employees for the most recent 2 fiscal years: Documenting the employees information for the past 2 fiscal years and up to the prospectus' publishing date of the current fiscal year. Such information shall be categorized by the nature of the works performed to include the statistics on the number of employees, average age, average years of service and the educational background breakdown. (Table 39)

4. Information on environmental protection expenditures:

A. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made.

B. Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced. (Table 40)

C. Describing the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus' publishing date. If there had been any pollution dispute, its handling process shall also be described.

D. Describing the loss (including damages compensation paid) suffered by

the company due to environmental pollution incidents occurred in the most recent 2 fiscal years and up to the prospectus' publishing date, the total penalty/fine amount, as well as disclosing its future preventive policies (including improvement measures) and possible expenses to be incurred (including possible loss if no preventive measures are taken, and the penalties and estimated damage compensation amount; if reasonable estimation cannot be made, explanation on the facts why it cannot be made shall be stated.)

E. Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years.

5. Labor relations:

A. Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

B. Describing the loss suffered by the company due to labor disputes occurring in the most recent 2 fiscal years and up to the prospectus' publishing date, and disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures. If a reasonable estimate cannot be made, an explanation of why it cannot be made shall be provided.

Article 20

For property, plant and equipment and other real properties, the following items shall be recorded:

1. Self-owned assets:

A. Setting forth the names, number, acquisition dates, acquisition cost, revaluation gains and non-depreciated balance amount of the property, plant and equipment if the acquisition cost is 20 percent or more of the paid-in capital or NT\$300 million or more. The use, insurance, encumbrances, and any other restriction of rights with respect to the property, plant and equipment shall also be disclosed. However, in the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of 20 percent of the paid-in capital shall be replaced by 10 percent of the equity attributable to owners of the parent. (Table 41)

B. Setting forth the names, lot size, premises locations, acquisition dates, acquisition costs, revaluation gains, non-depreciated balance amount, published value or house/apartment's appraised value, fair value, and the proposed future disposition or development plans of the idle real properties and the real properties which have been held for 5 fiscal years or more for investment purposes. (Table 42)

2. Rental properties:

A. Finance lease: The standards and items to be disclosed are identical with item (1) of the previous subparagraph.

B. Operating lease: For all the operating lease assets the rent amount of which exceeds NT\$5 million a year, their names, number, lease term, annual lease amount, names of lessors, and the current status of use shall be set forth. (Table 43)

3. Each factory's current condition and facility productivity ratio for

most recent 2 fiscal years. (Tables 44, 45)

#### Article 21

The section on "investments in other companies" shall include the following items:

1. A general description of companies that have been invested in, including:

The names of the investees, their line(s) of business, the cost of investment associated with the company's investment in the other companies, book value, number of shares held, percentage of stake, net equity value, accounting practices, gain (loss) on investments for the most recent fiscal year, distributed cash dividends, and the number of the company's shares held by the companies in which it has invested. If there is market value available on the re-invested business, such market value information shall also be included. (Table 46)

2. Consolidated stake: Setting forth the following information of each company invested in: the number of shares held by the company, the number of shares held by the company's directors, supervisors, the personnel whose positions are managerial or higher, and the number of shares invested in a single company which are held by the entities directly or indirectly controlled by the company, and calculating the consolidated shareholding percentage of the above categories. (Table 47)

3. The status of those subsidiaries of companies listed on the stock exchange or traded on an OTC market who held or disposed of shares of this company during the most recent 2 fiscal years and up to the prospectus' publishing date and the status of the shares pledged, and setting forth the origin of capital and other influences on the company's financial performance and financial condition. (Table 48)

4. Any occurrences of the situations of Article 185 of the Company Act, or transferring part of the business operation or results of the research and development to a subsidiary during the most recent 2 fiscal years and up to the prospectus' publishing date, the status of waiving subscription rights to the cash capital increase in the subsidiary company, the name of the subscribing counter party, and the relationship with the company, the directors, supervisors and shareholders who hold more than 10 percent of the outstanding shares, and the number of the subscribed shares shall be disclosed.

The term "subsidiary," as used in the subparagraphs 3 and 4 of the preceding paragraph, shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Article 22

The section on "important contracts" shall include all supply/sales contracts, technologies cooperation contracts, construction contracts, long-term loan agreements, and all other important contracts which are likely to impact the investors' rights, whether they are currently effective or have expired in the most recent fiscal year, and shall include the parties, major content, restrictive provisions and the commencement and termination dates of the contracts. (Table 49)

### Section III Issuance Plans and Implementation Status

#### Article 23

the analysis of the previous cash capital increase, merger or acquisition,

issue of new shares in connection with the acquisition of shares of another company, or plan of utilization of capital from issuance of corporate bonds, the following items shall be specified:

1. Contents of the plan: for the previous cash capital increase, merger or acquisition, issue of new shares in connection with acquisition of shares of another company, or corporate bond issue plan, and, as of the quarter preceding the date on which the prospectus was printed, for every preceding cash capital increase, merger or acquisition, issue of new shares in connection with acquisition of shares of another company, or corporate bonds issue plan that has not yet been completed or the actual completion date of which was no more than 3 fiscal years from the date of the registration, a detailed explanation shall be given of the specific content of each such plan, including the content of each and every changed plan, the source of capital and its usage, reasons for the change, the effects before and after the change, the date that the changed plan was proposed to the shareholders meeting, and the date on which the above information was posted to the information disclosure website designated by the FSC shall also be published.

2. Implementation status: Analyzing, item by item up to the quarter immediately preceding the prospectus' publishing date, the status of the plans' implementation and the comparison with the originally projected effects based on the purpose of each of the above-mentioned plans. If the implementation progress or effect does not reach the projected target, a concrete explanation on the causes, impact on the shareholders' equity and improvement plans shall be made. If the content of any of the plans referred to in the preceding subparagraph is as set forth in the following sub-subparagraphs, the information set forth herein below shall also be disclosed:

A. For acquiring or merging with, or taking assignment of, other companies, or expanding or newly constructing property, plant and equipment, compare and describe the property, plant and equipment, operating revenue, operating costs and operating income, etc.

B. For investments in other companies, the prospectus shall describe the operation status of the company invested in and its impact on the company's investment profit/loss.

C. For strengthening the operating capital or paying off liabilities, compare and describe the increase and decrease of current assets, current liabilities, total liabilities, interests payments, operating revenues, and the retained earnings per share etc. as well as financial structure analysis.

#### Article 24

The plan for the current cash capital increase, issuance of corporate bonds, issuance of employee stock warrants, or issuance of new restricted employee shares shall specify the following items:

1. Sources of capital: Description of whether a cash capital increase or issue of corporate bonds is the capital source for the current plan. If the capital is used to acquire or to invest in other companies, or to expand or newly construct property, plant and equipment, the prospectus shall set forth the total amount of the plan. If the funds from the current offering are insufficient, the fund raising methods and sources shall also be

described.

2. For the current issue of corporate bonds, relevant particulars, the method for raising the bond redemption funds, and the method for custody of the funds, shall be disclosed in accordance with Article 248 of the Company Act. If an FSC approved or recognized credit rating institution has been engaged to conduct a credit rating of the bonds, the prospectus shall set forth the name of the credit rating institution, the date of the rating, and the credit rating results shall also be disclosed. If conversion, exchange, or subscription rights are attached to the bonds, the issuance and conversion, exchange, or subscription rules, possibility of dilution of equity under the terms and conditions of issuance, and effect on shareholder equity shall be disclosed.

3. For the current issue of preferred shares, the prospectus shall set forth the par value per share, issue price, effect of issuance terms and conditions on preferred share shareholders' equity, possible conditions of dilution, effect on shareholder equity, and items provided under Article 157 of the Company Act shall be disclosed. If conversion or subscription rights are attached to the shares, the prospectus shall set forth the issuance and conversion rules or subscription rules (including enjoyment and assumption, after the compulsory conversion of the original preferred shares, of rights and obligations existing on the original preferred shares before conversion, such as dividends that have not yet been distributed) shall be disclosed.

4. For unlisted preferred shares or preferred shares not to be traded on an OTC market issued by a listed company listed on the stock exchange or traded on an OTC market, the prospectus shall set forth the purpose of the issue, reasons why such shares are not to be listed or traded on an OTC market, the effect on existing shareholders and potential investors, and whether there is any plan to apply for listing or trading on an OTC market shall be disclosed.

5. If new shares are issued by a company that has received approval (in accordance with the provisions of Article 5 of the Taipei Exchange Rules Governing Review of Emerging Stocks Traded on Over-the-Counter Markets) for its shares to be traded on OTC markets, the company shall describe its futures plans for listing its shares (or trading them on an OTC market).

6. If employee stock warrants are to be issued, disclose the rules governing the issuance and exercise of employee stock warrants.

7. If new restricted employee shares are to be issued, disclose the rules governing the issuance of new restricted employee shares.

8. Explanation of the feasibility, necessity, and reasonableness of the current plan and an analysis of the influence of each type of funding on the dilution of earnings per share for the fiscal year of the company's registration and the following year. For issuance of stock at below par value, the necessity and reasonableness of issuing new shares at a discount shall be explained, as well as the reasons for not using other capital raising methods and the reasonableness thereof, and the amount of offsets against capital reserves or retained earnings.

9. Explanation of the mechanism for setting the current issue price, conversion price, exchange price, or subscription price.

10. Capital utilization estimates and possible resulting effects:

Explanation of the progress of the capital utilization and the projected resultant effects after the completion of the current plan:

A. In the case of acquiring other companies or expanding or newly constructing property, plant and equipment, the prospectus shall set forth the projected possible increased production/sales volume, value, cost structure (including total cost and unit cost), changes of profitability, improvement of product quality and other potential effects upon the completion of the current plan shall be described.

B. In the case of investing in other enterprises, the following items shall be set forth:

a. The after-tax net profit of the invested company for the most recent 2 fiscal years, purposes of the investment, planned use of the funds and the relatedness of the enterprise's operations to the company's line of business, and the loss/profits from investment and its impact on the company's operations. If 20 percent or more of the investee enterprise's common shares are held, the prospectus shall set forth the projected schedule for fund use by the investee enterprise, the number of years within which the invested funds are to be recovered, the projected effect each fiscal year before recovery of the funds, and its influence on the company's profitability and earnings per share.

b. If investing in companies where special approval is required, the prospectus shall set forth the status of approval or permission from the competent authority in charge of such special permit enterprises, and whether any terms or conditions attached to the approval or permission have an effect on this offering and issuance of securities.

C. In the case of replenishing operating capital or paying off liabilities, the following items shall be set forth:

a. The amount of debt matured annually, repayment plan, status of projected relief of financial burden, current capital utilization status, amount of needed capital and proposed usage plan, and each month's projected schedule of cash receipts and expenditures for the fiscal year of the registration and the coming 1 fiscal year. (Table 50)

b. The policy for collection of accounts receivable and payment of accounts payable, capital expenditure plan, and the financial leverage and debt ratio (or the self-provided capital and risk capital ratio) for the fiscal year of the registration and the coming 1 fiscal year, and the reasons for paying off liabilities or enriching operating capital.

c. If the capital increase plan involves paying off liabilities, the prospectus shall set forth the purpose for borrowing funds and the effect achieved in doing so. If the funds were borrowed to purchase a piece of land for construction, or to pay for the costs of a construction project, or to undertake contracted works, the prospectus shall set forth the estimated total amount needed from the purchase of the construction land to the completion of sale of the construction project or the completion of the contracted works, the source of extra capital needed, the capital for each stage of construction and the progress of the construction, the original reason for borrowing funds, and the timing and amounts for recognizing any profits/losses and the anticipated possible effects of such recognition and the status of realization thereof.

d. In the projected schedule of cash receipts and expenditures, if the

total combined amount of any significant capital expenditures and long-term equity investments in the future reaches 60 percent of the amount of the current capital raising plan, the prospectus shall specify the necessity, anticipated sources of funding, and benefits of those expenditures and investments.

D. In the case of buying a piece of land for construction, or paying the costs of a construction project, or undertaking contracted works, the prospectus shall set forth the estimated total amount needed from the purchase of the construction land to the completion of sale of the construction project or the completion of the contracted works, the source of extra capital needed, the capital for each stage of construction and the progress of the construction, the original reason for borrowing funds, and the timing and amounts for recognizing any profits/losses and the anticipated possible effects of such recognition and the status of realization thereof.

E. In the case of purchasing an unfinished project and assuming the burden of the seller's unfulfilled contract, the prospectus shall set forth the buyer's reason for the transfer, the basis on which the acquisition price was determined, and the effect of the process of acquisition on the rights and obligations of the parties to the contract.

#### Article 25

For the current issue of new shares in connection with acquisition of another company's shares, the following items shall be specified:

1. Name and quantity of the acquired shares, and counterparty;
2. Proposed progress schedule;
3. Share conversion rates and the basis on which they were calculated;
4. Opinion of an independent professional on the reasonableness of the share conversion rates;
5. Conditions and restrictions on future transferal of the acquired shares;
6. Anticipated possible benefits;
7. If the counterpart of the acquisition of the shares of another company is an affiliated enterprise or related person, the relationship with the affiliated enterprise or related person shall also be specified, as well as the reason for the selection of the affiliated enterprise or related person, and an opinion appraising whether shareholders' equity would be affected;
8. Share swap cooperation agreement.

#### Article 26

For the current issue of new shares in connection with acquisition or merger, the following items shall be specified:

##### 1. Plan content:

A. Content of the merger or acquisition plan: including the purpose of the merger or acquisition; the integration plan for financial, business, personnel, information, etc. affairs after the merger or acquisition and anticipated benefits; the share conversion ratio and the basis upon which it was calculated; proposed schedule; items that materially affect the share conversion ratio after the public announcement of the merger or acquisition; effects on net value per share and earnings per share; matters related to the assumption of rights and obligations of the extinguished company (including principles for handling treasury shares and already-

issued equity securities), and the basic identifying information of the company to be merged or acquired (Table 51).

B. Content of the split plan: the purpose of the split; estimated value of the operations and assets planned to be assigned to the existing company or new company; share conversion rates and the basis upon which they were calculated; the total number and the types and quantities of the shares to be acquired by the split company or its shareholders; matters related to assumption by the existing company or new company of rights and obligations of the split company (including principles for handling treasury shares and already-issued equity securities); matters related to the reduction, if any, in capital of the split company; anticipated benefits of the split.

2. Merger or acquisition contract.

3. Opinion of an independent professional on the reasonableness of the share conversion rate of the merger or acquisition plan.

4. Any restrictions on future transfer or pledge of new shares issued due to the merger or acquisition.

5. The projected consolidated balance sheet as of the record date for calculating the share conversion ratio between the merging and merged companies.

6. Financial reports of the merged company for the most recent 2 fiscal years, audited and attested by a CPA or CPAs. (If the merged company is not a publicly issued company, its financial reports may be audited and attested by a single CPA.)

7. Minutes of the shareholders meeting of the merged company at which the resolution for merger was passed; however, this restriction shall not apply where any act or regulation provides otherwise.

8. Summary of the merged company's financial and business conditions:

A. The main content of the merged company's business operations, current products and their uses or current services, the condition of the supply of the main raw materials, and the sales areas for the main products or services shall be set forth.

B. Where the merged company is not a public company, if assets listed among the merged company's major assets during the most recent 2 fiscal years or during the current period up to the printing date of the prospectus are bought/sold in an amount equivalent to 20 percent of the company's paid-in capital, or if such amount reaches 300 million New Taiwan Dollars or more, any endorsements, guarantees, or loans made to other parties shall be set forth. However, in the case of shares issued by a company with no par value or a par value other than NT\$10 per share, the calculation of 20 percent of the paid-in capital shall be replaced by 10 percent of the equity attributable to owners of the parent. (Tables 52 to 54)

C. In accordance with Article 21, subparagraph 1, a summary of the merged company's investments in other companies shall be set forth.

D. In accordance with Article 22, important contracts signed by the merged company shall be set forth and the effect on the company's financial and business conditions after the merger shall be described.

E. In accordance with subparagraph 2 of Article 9, major litigation, non-litigation, and administrative disputes of the merged company and related companies shall be set forth and the effect on the company's financial and business conditions after the merger shall be described.

F. If the merged company is a construction company or has a construction department, the estimated income and gross profit for each construction project during the fiscal year of registration and the preceding fiscal year shall be set forth, and the estimated sales of completed but not yet sold projects shall be described.

#### Section IV Financial Summary

##### Article 27

The section on "summary financial data for the most recent 5 fiscal years" shall include the following items:

1. Condensed balance sheet and statement of comprehensive income: Setting forth the condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years. Listed and OTC-traded companies shall also set forth the condensed balance sheet and statement of comprehensive income information up to the quarter immediately preceding the prospectus' printing date. For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted. Those who are notified by FSC to make the corrections by themselves shall make note of the status and reasons for the corrections. (Table 55)
2. Matters of material significance which affected the comparability of the above-mentioned condensed financial statements, such as accounting changes, corporate mergers, or suspension of work in the operating departments etc., and the impact of these events on the then current financial reports.
3. The names and auditor's opinions of the attesting CPA for the most recent 5 fiscal years:
  - A. Setting forth the names and audited opinions of the attesting CPA for the most recent 5 fiscal years. Except for those audited reports with an unqualified opinion, the contents of the opinion shall be fully described.
  - B. If there was change/replacement of the CPA within the most recent 5 fiscal years, explanation made by the company's previous and current CPA over the causes for such change/replacement shall be set forth.
4. Financial analysis: Consolidated analysis of the financial data for the most recent 5 fiscal years shall be made. Listed and OTC-traded companies shall include in such analysis the then current financial data up to and until the quarter immediately preceding the prospectus' printing date. The financial analysis shall at least include the below-listed items, and explanations shall be given of the causes of changes in the financial ratios for the preceding 2 fiscal years. (Table 56)
  - A. Financial structure:
    - a. Ratio of liabilities to assets.
    - b. Ratio of long-term capital to property, plant and equipment.
  - B. Debt service ability:
    - a. Current ratio.
    - b. Quick ratio.
    - c. Interest coverage folds.
  - C. Operating ability:
    - a. Account receivables' turnover rate.
    - b. Average days for cash receipts.
    - c. Inventory's turnover rate.
    - d. Payables turnover rate.

- e. Average days for sale of goods.
- f. Turnover rate for property, plant and equipment.
- g. Total assets' turnover rate.
- D. Profitability:
  - a. Assets return ratio.
  - b. Equity return ratio.
  - c. Net profit ratio.
  - d. Earning per share.
- E. Cash flow:
  - a. Cash flow ratio.
  - b. Cash flow sufficiency ratio.
  - c. Cash re-investment rate.
- F. Leverage
  - a. Operational leverage.
  - b. Financial leverage.
- 5. Description of major variations of accounting items: Comparing the most recent 2 fiscal years' accounting items in the balance sheets and statements of comprehensive income; if there is a 10 percent or more variation in the monetary amounts, and if such sum has reached 1 percent of the total assets value of the then current fiscal year, a detailed analysis of the causes for such changes shall be made. (Table 54)

#### Article 28

The section on "financial reports" shall include the following items:

1. The financial reports and CPA audit reports for the 2 fiscal years preceding the time when the issuer registered the offering and issuance of securities, and the financial reports that have duly been publicly announced and reported for the most recent quarter shall additionally be included.
2. The issuer's annual parent company only financial reports for the most recent 2 fiscal years, audited and attested by a CPA, but not including the statements of major accounting items.
3. During the period after the issuer has registered the offering and issuance of securities and until the prospectus' printing date, if there exists any financial report or parent company only financial report for the most recent period that has been audited and attested or reviewed by a CPA, such report shall also be disclosed.

#### Article 29

The section on "financial summary and other important matters" shall include the following items:

1. If the company or an affiliated enterprise has encountered any financial difficulties in the most recent 2 fiscal years or during the current fiscal year up to the date of the prospectus's printing, the impact on the company's financial condition shall be set forth.
2. If any of the events in Article 185 of the Company Act has occurred within the most recent 2 fiscal years or up to the date of the prospectus's printing, the following items shall be disclosed:
  - A. The cost, payment terms, conditions of payment, and long-range development perspective of accepting transfer (assumption) of business (assets).
  - B. After accepting transfer (assumption) of a portion of the other

company's operations and research & development results, the current and future operating plan and the effect on the company's research & development, technology, sales profitability and productivity.

3. Subsequent events: During the period after the CPA has issued the audit report for the most recent fiscal year or audit or review report for the most recent period and until the prospectus' printing date, if any matter of material significance occurs which is likely to impact the financial condition and financial performance, it shall be properly disclosed and its impact explained.

4. Other matters.

#### Article 30

The section providing review and analysis of financial condition and financial performance shall describe the following:

1. Financial condition: The prospectus shall explain the reason for, and impact of, any material change over the most recent 2 fiscal years in the company's assets, liabilities, or equity. Where the impact is of material significance, the prospectus shall further describe how the company plans to respond.

2. Financial performance: The prospectus shall: (1) explain the reasons for any material changes over the most recent 2 fiscal years in operating revenue, operating income, and income before tax; (2) forecast the company's expected sales volume and provide the basis for the forecast; and (3) describe the possible impact of such changes upon the company's financial and business affairs, and how the company plans to respond.

3. Cash flows: The prospectus shall: (1) analyze and explain any changes over the most recent fiscal year in the company's cash flows; (2) describe how the company plans to address any illiquidity problems; and (3) provide an analysis of the company's cash liquidity for the coming fiscal year.

4. The impact of any material capital expenditures over the most recent fiscal year upon the company's financial and operating condition;

5. The company's policy for the most recent fiscal year on investments in other companies, the main reasons for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming fiscal year;

6. Other important matters.

#### Section V Special Items to be Included

##### Article 31

The section on "special items to be included" shall set forth the important contents of the registration statement, including:

1. Summary of the internal control system: The prospectus shall set forth the CPA's suggestions for improving the internal control system and improvements to major flaws discovered through internal auditing in the most recent 3 fiscal years, and shall also disclose the following items:

A. Internal control statement.

B. Where the company has retained CPAs to exclusively review its internal control systems, the prospectus shall set forth the reason for doing so, the CPAs' review opinions, measures the company has taken for improvement, and the condition of improvement on lacking items.

2. Those who have retained an FSC-approved or -recognized credit rating institution to conduct a credit rating/evaluation shall disclose the credit rating/evaluation report issued by the credit rating institution.

3. Summary opinion from the securities underwriter's assessment.
  4. Attorney's legal opinion.
  5. Summary opinion stated in the case checklist schedule written by the issuer and reviewed by a CPA.
  6. The improvement status of the items notified to be corrected, if at the time the company registered (or applied for approval of) the previous offering and issuance of securities the FSC had notified it to make self-correction on certain items.
  7. The items notified to be further disclosed, if at the time the company registered the current offering and issuance of securities the FSC had notified it to make supplemental disclosure on certain items.
  8. The statement or promised items disclosed in the prospectus from the company's registration (application) for offering and issuance of securities for the first time, the preceding time, and within the most recent 3 fiscal years, and the current state of fulfillment of such.
  9. The major content of any dissenting opinion of any director or supervisor regarding any material resolution passed by the board of directors, where there is a record or written statement of such opinion, for the most recent fiscal year and up to the date of printing of the prospectus.
  10. Any legal sanctions against the company or its internal personnel, or any disciplinary action taken by the company against its own personnel for violation of internal controls, during the most recent fiscal year or during the current fiscal year up to the date of printing of the prospectus; and a description of the main shortcomings in the company's internal control system as well as an indication of measures for improvement.
  11. The statement issued by the securities underwriter, the issuer, and the issuer's directors, supervisors, general manager, financial or accounting officer, and the managerial officers involved in the current registration for public offering and issuance of securities, specifying that no underwriting related fees will be refunded or collected.
  12. For a case that involves the issuer conducting a cash capital increase or an offering of corporate bonds with equity characteristics and adopting book building and public underwriting, the statement issued by the securities underwriter and issuer, specifying that allocation to related parties and insiders is prohibited.
  13. Other necessary items to be supplemented and explained.
- If the issuer, in consideration of the nature of the business engaged in, has retained experts with special professional knowledge and experience in technical, operational, or financial areas to undertake an analytical comparison of the issuer's current business operational status against the future development after the current issuance of securities, and to provide an opinion regarding said issuance, the evaluation and opinion of such experts shall be disclosed.

#### Article 32

A company listed on the stock exchange or traded on an OTC market shall record the following matters relating to the state of its implementation of corporate governance:

1. The state of operations of the board of directors: Number of meetings;

- attendance rate of each director; an evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years, and measures taken toward achievement thereof; and any other matters that require reporting. (Table 58)
2. The state of operations of the audit committee or the state of 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. (Table 59, Table 60)
3. The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure. (Table 61)
4. If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed. (Table 62)
5. The state of the company's performance of social responsibilities: systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, and other social responsibilities and activities, and the state of implementation. (Table 63)
6. The state of the company's performance in the area of good faith management and the adoption of related measures. (Table 64)
7. If the company has adopted corporate governance best-practice principles or related bylaws, it shall disclose how these are to be searched.
8. A summary of resignations and dismissals, during the most recent fiscal year and up to the date of printing of the prospectus, of the company's chairperson of the board of directors, general manager, accounting officer, financial officer, internal audit officer, and R&D officer. (Table 65)
9. Any other material information that would afford a better understanding of the status of the company's implementation of corporate governance may also be disclosed.

The provisions of the preceding paragraph shall also apply to any securities firm, securities investment trust enterprise, securities investment consulting enterprise, or futures commission merchant that is a public company.

## Section VI Important Resolutions, Articles of Incorporation, and Relevant Laws and Regulations

### Article 33

The section on "important resolutions" shall include resolutions relevant to the current issuance of securities (including a comparison chart on the newly amended and the old clauses of the articles of incorporation and a profit distribution schedule).

## Chapter III Simplified Prospectus

### Article 34

The company shall deliver to subscribers or offerees the prospectus together with the payment form before an offering and issuance of securities. But if the prospect prepared by the company has included the

information as required in Article 6, paragraph 1 or 2 and has been transmitted as an electronic file to the information disclosure website designated by the FSC, the company may directly deliver a simplified version of the prospectus together with the payment form to subscribers or offerees.

The contents of the simplified version of the prospectus referred to in the preceding paragraph shall include: (Table 65-1)

1. The company's common stock code and the website URL for subscribers or offerees to review the prospectus; if any of the circumstances set forth in Article 3, paragraph 3 exists, the company shall also include the information so required.
2. Summary of the current plan for offering and issuance of securities and the anticipated possible benefits resulting therefrom.
3. The audit or review opinions, condensed balance sheets, and statements of comprehensive income in the financial reports audited and attested or reviewed by the CPA for the most recent 3 fiscal years and the most recent period.
4. The information set forth in Article 31, paragraph 1, subparagraphs 3 to 5 and paragraph 2; in the case of a merger, demerger, acquisition, or an issuance of new shares in connection with acquiring shares of another, the prospect shall additionally disclose an independent expert's opinion on the reasonableness of the share conversion ratio.
5. The company seal and the signature or seal of the responsible person.
6. Other necessary information.

Article 35

(Deleted)

Chapter IV Prospectus for Incorporation by Offering

Article 36

For cases of incorporation by public offering, the following items shall be included:

1. Process of company incorporation: Provide the reason for incorporation by public offering, a register of promoters, and the names, experience, number of shares subscribed, types of capital contribution of the promoters whose share subscription percentage is among the top ten, and whether the promoters meet the qualifying criteria under the relevant acts; share dispersal and status of related enterprises holding shares shall also be disclosed.
2. Minutes of promoters meeting.
3. The condition of the market in which the promoter's enterprise belongs and future expandability.
4. The contents of the promoters' business plan:
  - A. Scope of business: setting forth the main products or businesses.
  - B. Operating principles and strategies: setting for the principles and strategies for each aspect of operation.
  - C. Plan for business development: setting forth long and short-term business development plans, the main target market, and competitive strategies.
  - D. Concrete plan for execution:
    - a. Facilities at the operation location: setting forth the factors taken into consideration in choosing the operation location and factory address,

- and the method for deciding the transaction price.
- b. Setting forth the educational background of the principal managers.
  - c. Organizational system: setting forth the structure of the organization and the purposes, duties, and responsibilities of each of the main departments.
  - d. Human resources plan: setting forth the need for human resources, the method for hiring employees, nurturing, training, promotion and relocation, evaluation, salary system, and employee fringe benefits.
  - e. Setting forth the items in the plan for allocation of finances and use of capital.
  - E. Setting forth the operating plan and the production and sale plan for the forthcoming fiscal year.
  - F. Setting forth, item by item, whether there was any trade in major assets, financing, or guaranty conditions (Table 66), or other aspects of trade between the promoters and their related persons within the most recent year.
- 5. The name and address of the bank authorized to collect the payment for the subscribed share, and the proof that the promoters have paid their share subscription price pursuant to the relevant regulations.
  - 6. The offering circular.
  - 7. The securities underwriter's summary evaluative opinion.
  - 8. The authority in charge of the enterprise, and major laws and regulations applicable to the enterprises.
  - 9. Any other documentation required to be included by the competent government authority.

The promoters shall deliver to subscribers or offerees the prospectus referred to in the preceding paragraph together with the payment form before the incorporation of the company.

If the FSC has promulgated separate rules/regulations for special industries like banks, bill financing, securities, futures, insurance, financial holdings, and trust and investment, those rules/regulations shall be complied with.

#### Chapter V Supplementary Provisions

##### Article 37

The draft prospectus shall be posted, as an electronic file in the format prescribed by the FSC, to the information disclosure website specified by the FSC and, within 30 days from the date of effective registration or receipt of the FSC's notice of approval of application, the final amended/revised prospectus shall be posted, as an electronic file in the format prescribed by the FSC, to the information disclosure website specified by the FSC.

##### Article 38

(Deleted)

##### Article 39

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