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| Title : | Regulations Governing the Offering and Issuance of Securities by Securities Issuers  |
| Date : | 2014.06.26 |
| Legislative : | <p>1. Full 43 articles adopted and promulgated 26 July 1988 per Order No. (77)-Taiwan-Finance-Securities-(I)-08728 of the Ministry of Finance Securities and Exchange Commission</p> <p>2. Amended and promulgated 17 April 1990 per Order No. (79)-Taiwan-Finance-Securities-(I)-00745 of the Ministry of Finance Securities and Exchange Commission</p> <p>3. Amended and promulgated 16 April 1991 per Order No. (80)-Taiwan-Finance-Securities-(I)-00699 of the Ministry of Finance Securities and Exchange Commission</p> <p>4. Amended and promulgated 2 May 1995 per Order No. (84)-Taiwan-Finance-Securities-(I)-00921 of the Ministry of Finance Securities and Exchange Commission</p> <p>5. Attached schedule 7 of Article 13 amended and promulgated 6 July 1995 per Letter No. (86)-Taiwan-Finance-Securities-(I)-01571 of the Ministry of Finance Securities and Exchange Commission</p> <p>6. Full 44 articles adopted and promulgated 31 March 1998 per Order No. (87)-Taiwan-Finance-Securities-(I)-00849 of the Ministry of Finance Securities and Futures Commission</p> <p>7. Attached schedules 1-4 of Article 12, attached schedules 5-11 of Article 13, attached schedules 12-13 of Article 21, attached schedule 14 of Article 22, attached schedule 15 of Article 23, attached schedule 16 of Article 25, attached schedule 17 of Article 26, attached schedule 18 of Article 27, attached schedule 19 of Article 38, and attached schedules 20-21 of Article 43 amended and promulgated 1 June 1998 per Letter No. (88)-Taiwan-Finance-Securities-(I)-01378 of the Ministry of Finance Securities and Futures Commission</p> <p>8. Amended and promulgated 26 November 1999 per Public Announcement No. (84)-Taiwan-Finance-Securities-(I)-04377 of the Ministry of Finance Securities and Exchange Commission</p> <p>Articles 6, 8, 9, 11, 12, 13, 20, 21, 22, 25, and 27 amended and promulgated 9 December 1999 per Order No. (88)-Taiwan-Stock-Listing-38618 of the Taiwan Stock Exchange Corporation</p> <p>9. Articles 6-9, 12, 16-18, 20, 25-28 and 44 and attached schedules 1-4 of Article 12, attached schedules 5-11 of Article 13, attached schedules 12-13 of Article 21, attached schedule 14 of Article 22, attached schedule 15 of Article 23, attached schedule 16 of Article 25, attached schedule 17 of Article 26, attached schedule 18 of Article 27 and attached schedule 19 of Article 38 amended and promulgated 31 March 2000 per Order No. (89)-Taiwan-Finance-Securities-(I)-00931 of the Ministry of Finance Securities and Futures Commission; implemented from date of promulgation</p> <p>10. Full 58 articles amended and promulgated 21 August 2000 per Order No. (89)-Taiwan-Finance-Securities-(I)-02911 of the Ministry of Finance Securities and Futures Commission; implemented from date of promulgation</p> <p>11. Full 70 articles amended and promulgated 27 March 2001 per Order No. (90)-Taiwan-Finance-Securities-(I)-115606 of the Ministry of Finance Securities and Futures Commission; amended articles of these Criteria implemented from date of promulgation except where separate implementation dates otherwise adopted</p> <p>12. Articles 3, 6, 7, 8, 9, 12, 13, 14, 16, 19, 20, 22, 23, 24, 29, 41, 51, 52, 53, 55, 57, 58, 59, 60, 61, 62, 64, 66 amended and promulgated 26 October 2001 per Order No. (90)-Taiwan-Finance-Securities-(I)-164404 of the Ministry of Finance Securities and Futures Commission</p> <p>13. Articles 4-9, 11-14, 16, 19, 21-23, 27, 29, 31, 35, 41, 42, 47, 52, 53, 55, 58-62 and 64 amended and promulgated 26 December 2001 per Order No.</p> |

(90)-Taiwan-Finance-Securities-(I)-006750 of the Ministry of Finance Securities and Futures Commission; Article 20-1 additionally adopted and promulgated; Articles 51, 57 deleted

14. Full 79 articles amended and promulgated 22 May 2002 per Order No.

(91)-Taiwan-Finance-Securities-(I)-003153 of the Ministry of Finance Securities and Futures Commission; implemented from date of promulgation

15. Articles 7-9, 13, 14, 17-19, 29-32, 34, 37, 41-45, 49, 55, 59, 61, 69, 70, 72, and 78 amended and promulgated 20 May 2003 per Order No. Taiwan-Finance-Securities-I-0920002175 of the Ministry of Finance Securities and Futures Commission; Article 71 deleted

16. Articles 12 and 13 amended and promulgated 31 December 2003 per Order No. Taiwan-Finance-Securities-I-0920005358 of the Ministry of Finance Securities and Futures Commission

17. Articles 8, 9, 27, 28, 32, 35, 43, and 47 amended and promulgated per 02 February 2004 Order No. Taiwan-Finance-Securities-I-0930000414 of the Ministry of Finance Securities and Futures Commission

18. Articles 3, 5, 8, 9, 11 to 14, 17, 19, 23 to 25, 28 to 30, 36, 41, 42, 44, 57, 63, 68, 70, 73 to 76, and 79 amended and promulgated per Order No. Financial-Supervisory-Securities-I-0930005928 of 09 December 2004 of the Financial Supervisory Commission, Executive Yuan; Articles 12, 13, 23 to 25, 28 to 30, 41, 42, 57, 68, 70, and 73 to 75 implemented from 01 January 2005; all other amended articles in these Regulations implemented from the date of promulgation

19. Full text of 76 articles amended and issued per Order No. Financial-Supervisory-Securities-I-0950000988 of 3 March 2006 of the Financial Supervisory Commission, Executive Yuan; Articles 10 and 71 implemented from 1 July 2006; all other amended articles implemented from the date of issuance

20. Article 76 amended, and Article 56-1 added, with the above changes issued per 6 March 2007 Order No. Financial-Supervisory-Securities-I-0960008892 of the Financial Supervisory Commission, Executive Yuan; Article 56-1 to be implemented from 1 January 2008

21. Articles 8, 12, 13, 21 to 23, 26, 27, 33, 39, 42, 55, 61, 66, 68, 70, 72, 73, and 76 amended, and Article 72-1 added, with the above changes issued per 9 November 2007 Order No. Financial-Supervisory-Securities-I-0960063791 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of issuance (except for Article 72-1, the implementation date of which shall be set by the competent authority) Article 72-1 issued per 10 January 2008 Order No. Financial-Supervisory-Securities-I-0960074063 of the Financial Supervisory Commission, Executive Yuan, and scheduled for implementation from 10 January 2008

22. Articles 6 and 18, and Attachment 3 of Article 12, amended and issued per 2 May 2008 Order No. Financial-Supervisory-Securities-I-09700174851 of the Financial Supervisory Commission, Executive Yuan

23. Article 7 amended and issued per 30 July 2008 Order No. Financial-Supervisory-Securities-I-0970038700 of the Financial Supervisory Commission, Executive Yuan

24. Articles 7, 8, 11, 14, 21, 22, 33, 38, 41, 42, 53, 66, 70, and 73, and Attachments 4, 9, 20, and 25 to 31 of Articles 12, 39, and 68 amended and issued per 27 May 2009 Order No. Financial-Supervisory-Securities-I-0980023779 of the Financial Supervisory Commission, Executive Yuan

25. Articles 8 and 70 amended and issued per 29 September 2010 Order No. Financial-Supervisory-Securities-Corporate-0990053857 of the Financial Supervisory Commission, Executive Yuan

26. Articles 7, 50, 51, 56-1, 66, 67, and 73 amended and issued, and Articles 60-1 to 60-9 added, per 20 February 2012 Order No. Financial-Supervisory-Securities-Corporate-1010005435 of the Financial Supervisory Commission, Executive Yuan

27. Articles 3, 5, 7 to 9, 13, 18, 27, 39, 51, 56-1, 60-9, 63, and 69 and Attachments 1 to 17 and 22 to 35 to Articles 12, 21 to 23, 26, 55, 60-3, 61, 66 to 68, and 72 amended and issued, Article 60-6 deleted, and Article 75-1 added, per 17 September 2012 Order No. Financial-Supervisory-Securities-Corporate-1010042947 of the Financial Supervisory Commission

28. Articles 6, 20, 22, 27, and 39 and Attachments 13 and 14 to Article 21, Attachment 16 to Article 23, and Attachment 17 to Article 26 amended and issued per 27 August 2013 Order No. Financial-Supervisory-Securities-

Corporate-1020029369 of the Financial Supervisory Commission
 29. Articles 8, 18, and 63 and Attachments 3 to 12 to Article 12, Attachments 13 and 14 to Article 21, Attachment 15 to Article 22, Attachment 16 to Article 23, Attachment 17 to Article 26, Attachments 18 and 19 to Article 27, Attachments 20 and 21 to Article 39, Attachment 22 to Article 55, Attachment 22-1 to Article 60-1, Attachment 24 to Article 66, and Attachments 32 and 33 to Article 72 amended and issued per 31 December 2013 Order No. Financial-Supervisory-Securities-Corporate-1020053189 of the Financial Supervisory Commission
 30. Articles 6, 13, 17, 18, 20, 22, 26, 32, and 45 and Attachments 3 and 8 to Article 12, Attachments 13 and 14 to Article 21, Attachment 15 to Article 22, Attachment 16 to Article 23, and Attachment 33 to Article 72 amended and issued per 26 June 2014 Order No. Financial-Supervisory-Securities-Corporate-1030023111 of the Financial Supervisory Commission

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| Content : | <p>Chapter I General Principles</p> <p>Article 1</p> <p>These Regulations are prescribed in accordance with Article 22, paragraph 4 of the Securities and Exchange Act ("the Act").</p> <p>Article 2</p> <p>Unless otherwise regulated by other acts or regulations, the offering and issuance of securities shall be regulated by these Regulations.</p> <p>Article 3</p> <p>The Financial Supervisory Commission ("FSC") shall supervise the offering and issuance, secondary distribution, and retroactive handling of public issuance procedures, issuance of new bonus shares, and capital reductions through effective registration.</p> <p>In these Regulations, the term "effective registration" means that the issuer has duly filed all relevant documents with the FSC for registration in accordance with law. Unless the documents do not contain all the required information, amendment is required to protect the public interest, or the filing is rejected by the FSC, the registration will become effective after a designated number of business days from the date when the FSC and FSC-designated institutions receive the filing submission.</p> <p>The fact of effective registration for the items set forth under paragraph 1 may not be cited as proof of the veracity of registration particulars, or as guarantee of the value of the securities.</p> <p>The term "business day" as used in paragraph 2 means a day on which transactions are conducted in the securities market.</p> <p>The term "company traded on an OTC market" as used in these Regulations means a company whose stock has been approved for trading on an OTC market in accordance with Article 3 or Article 3-1 of the GreTai Securities Market Rules Governing Review of Securities Traded on Over-the-Counter Markets.</p> <p>The term "financial reports" as used in these Regulations means consolidated financial reports, or if the issuer does not have a subsidiary, means individual financial reports.</p> <p>Article 4</p> <p>In the occurrence of any one of the following events, the issuer may not offer and issue securities:</p> <p>1. Upon the occurrence of events prescribed under paragraph 1 of Article 135 of the Company Act, no secondary distribution is allowed.</p> <p>2. If the issuer is in violation of paragraph 2 of Article 247 of the Company Act or any one of the events under Article 249 of the same law occurs, the issuance of unsecured corporate bonds is prohibited. However,</p> |
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the restriction of Article 247 of the Company Act does not apply when the issuance of corporate bonds is in accordance with Article 28-4 of the Securities and Exchange Act.

3.No issuance of corporate bonds is allowed if the issuer is in violation of paragraph 1 of Article 247 of the Company Act or any one of the events under Article 250 of the same law occurs. However, the restriction of Article 247 of the Company Act does not apply when the issuance of corporate bonds is in accordance with Article 28-4 of the Securities and Exchange Act.

4.No public issuance of preferred shares is allowed if any one of the events under Article 269 of the Company Act occurs.

5.The public issuance of new shares is prohibited in the event that any incident prescribed under Article 270 of the Company Act occurs.

Article 5

When, from the date of the balance sheets of the latest financial reports submitted by the issuer to the date when the registration becomes effective, an event occurs that has a material impact on shareholders' equity or securities prices, as provided in Article 36, paragraph 3, subparagraph 2 of the Act, , the issuer shall disclose the event to the public and report to the FSC within 2 days after its occurrence. In addition, the issuer shall provide to the FSC an expert opinion on the occurrence based on the nature of the event involved and the evaluation from the attesting certified public accountant (CPA) regarding the impact of the event on the financial reports.

From the receipt date of the registration documents by the FSC and FSC-designated institutions until the registration becomes effective, except for information revealed in accordance with acts and regulations, the issuer may not state or reveal any forecasted financial or business information to any specified or unspecified person.

If the issuer externally disseminates any information not in conformance with the registration documents, it shall correct the relevant documents and submit them to the FSC.

Article 6

An issuer registering to offer and issue securities shall submit a prospectus.

Given any of the following circumstances when the issuer files for registration, the issuer shall ask the lead securities underwriter for an evaluation and ask a lawyer to review the relevant legal issues. They shall respectively provide an evaluation report and a legal opinion in accordance with regulatory requirements:

1.The filing for registration for issuance of new shares for cash, new shares in connection with merger, new shares in connection with receiving transfer of shares of another company, or new shares in connection with an acquisition or demerger conducted in accordance with laws, is made by a public company whose stocks are listed on a stock exchange (a "listed" company) or by an OTC company.

2.A company whose stock is approved for trading in the business places of securities firms in accordance with Article 5 of the GreTai Securities Market Rules Governing Review of Emerging Stocks Traded on Over-the-Counter Markets (hereinafter referred to as an "emerging stock company") carries

out a cash capital increase through a new share issue and allocates a certain percentage of the newly issued shares to a public offering.

3.A company whose stock is neither listed on a stock exchange (hereinafter referred to as "unlisted") nor traded in the business places of securities firms, conducts an issuance of new shares for cash and allocates a certain percentage of the aggregate new shares to be publicly offered in accordance with Article 18.

4.The offering is used to establish a company.

5.Corporate bonds with equity characteristics are to be offered publicly through a securities underwriter.

6.Straight corporate bonds are to be offered publicly through a securities underwriter, and purchasers of the bonds are not restricted to professional investors as defined in the GreTai Securities Market Rules Governing Management of Foreign Currency Denominated International Bonds.

If the securities firm meets the financial and business requirements set by the FSC, it can be exempted from the requirement that the lead underwriter must issue an evaluation report.

The legal opinion in paragraph 2 and the preceding paragraph, and concluding opinions of the evaluation report or rating report, shall be provided in the prospectus.

Article 7

Upon the occurrence of any one of the following events, the FSC may reject an issuer's filing for registration for offering and issuance of securities:

1.The attesting CPA issues a disclaimer of opinion or an adverse opinion in the audit report.

2.The attesting CPA issues a qualified opinion in the audit report and such opinion has an impact on the fair presentation of the financial reports.

3.The Application Review Form prepared by the issuer, reviewed by the attesting CPA, and provided by the securities underwriter reveals any violation of laws or regulations or articles of incorporation of the issuer and such violation has impacts on the offering and issuance of securities.

4.The legal opinion issued by a lawyer indicates that there exists violation of law or regulations and such violation has impacts on the offering and issuance of securities.

5.The evaluation report from the underwriter fails to specify the feasibility, necessity, and reasonability of the present offering and issuance plan.

6.The issuer files an application again under paragraph 2 of the preceding article within 3 months after receipt of notice from the FSC in which the FSC has rejected the issuer's application, has voided or revoked the application, or the issuer has withdrawn its registration filing or application made under these Regulations. These restrictions may not apply, however, to the issuance of new shares in connection with merger, issuance of new shares in connection with receiving transfer of shares of another company, or issuance of new shares in connection with an acquisition or demerger conducted in accordance with related laws.

7.An issuer files for registration of a cash capital increase or an issue of corporate bonds, and the aggregated amount directly or indirectly invested in the mainland China area violates the regulations of the

Investment Commission, Ministry of Economic Affairs. However, the aforesaid restriction need not apply where the funds are to be used in purchase of domestic property, plant and equipment and promise has been undertaken to refrain from increasing investment in mainland China.

8. There has been a material failure by an exchange-listed, OTC-listed, or emerging stock company to establish a remuneration committee pursuant to Article 14-6, paragraph 1 of the Act or material failure to comply with laws or regulations applicable thereto.

9. The issuer fails to adopt an electronic means as one of the methods for exercising voting power pursuant to the proviso of Article 177-1, paragraph 1 of the Company Act.

10. There has been a material violation or failure to perform the undertakings made upon application for listing in the stock exchange market or OTC market.

11. The FSC finds that there has been a material violation of relevant laws or regulations.

Article 8

Where an issuer conducts an offering and issuance of securities as contemplated under Article 6, paragraph 2, the FSC may reject the registration upon the occurrence of any one of the following events:

1. Fifty percent of the original directors have changed during the year of registration or during the previous 2 years, and a shareholder has obtained its shares in violation of the provisions of Article 43-1 of the Act.

However, this provision does not apply where corrections have been made prior to the registration date.

2. Any one of the events set forth under Article 156 of the Act applies to an exchange-listed or OTC-listed company. However, this restriction does not apply to any company upon which restrictions have been imposed, in accordance with the provisions of Article 139, paragraph 2 of the Act, with respect to the trading of its shares on a stock exchange.

3. The present offering and issuance plan is unfeasible, unnecessary, or unreasonable.

4. Any one of the following events has occurred in the implementation of a previous plan for the offering and issuance, or private placement, of securities, and the situation has not been improved:

A. The process of implementation is seriously delayed without legitimate reason and the implementation has not been completed yet.

B. The plan has undergone substantial change without due reasons and such change has not been completed. However, this provision does not apply where more than 3 years have passed between the registration date and the actual completion date of the plan.

C. The offering and issuance plan has undergone material change, but said change has not yet been reported to a shareholders' meeting for approval.

D. The company has failed in the most recent year to observe the provisions of Article 9, paragraph 1, subparagraphs 4 through 9, or provisions set out in Article 11 of the Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.

E. The company has failed to faithfully disclose information in accordance with the Directions for Public Companies Conducting Private Placements of Securities, where the circumstances are serious.

F.No reasonable benefit is derived from the plan and no legitimate reason is provided. However, in the event more than 3 years have passed since the completion date of the plan till the registration date, such restriction does not apply.

5.An important part of the plan for the present offering and issuance of securities (such as methods of issuance, source of funds, particulars of the plan, implementation schedule, and expected returns) has not been placed on the agenda of a board meeting or shareholders meeting in accordance with the Company Act and the issuer's articles of incorporation, or has not been adopted by resolution at such a meeting.

6.The company which has lent a substantial amount of money to other parties for purposes other than financing needs arising from business transactions with other companies or business firms, and which has not yet rectified the situation, submits for registration to conduct a cash capital increase or issue corporate bonds.

7.The company has entered into an irregular transaction of material significance, and has not yet rectified the situation.

8.The company files for registration to conduct a cash capital increase or issue corporate bonds, but holds financial assets distinguished as current, idle assets, or investment property with no plan to actively dispose of or develop such holdings, and their total value is equivalent to either: (1) 40 percent or more of the equity attributable to owners of the parent in the most recent financial reports audited and attested (or reviewed) by a CPA, or (2) 60 percent of the total amount of funds to be raised through the cash capital increase or corporate bond issuance. However, this provision does not apply when the funds to be raised will be used to purchase property, plant and equipment and there is a concrete plan to evidence the need to raise the funds.

9.Proceeds from the cash capital increase or corporate bond issuance are to be used to invest in a company engaged primarily in the trading of securities, or to establish a securities firm or a securities service enterprise.

10.The company has failed to prepare its financial statements in accordance with relevant acts or regulations, or with generally accepted accounting principles, and such violations are of material significance.

11.The company has violated the provisions of Article 5, paragraph 2.

12.The internal control system is seriously deficient in design or implementation.

13.The company's share price fluctuated abnormally during the month prior to the date of registration.

14.Any one of the following descriptions applies to the shareholdings of the entire body of the company's directors or supervisors:

A.The percentage of their equity stake is in violation of Article 26 of the Act and the FSC has notified them to make up for the shortfall but they have not yet done so.

B.The percentage of their equity stake still does not meet the required equity stake set forth under Article 26 of the Act even after accounting for the share issue that the company is now registering; provided, however, that this does not apply where the entire body of the company's directors or supervisors pledges to make up for the shortfall upon completion of the

offering.

C. During the fiscal year in which the registration filing is made, or during the preceding fiscal year, the entire body of the company's directors or supervisors did not honor a promise to make up for a shortfall in their equity stake.

15. The issuer or its current chairperson or general manager, or a de facto responsible person has received a fixed sentence or a more severe punishment from a court in the past 3 years due to violation of laws governing business and industry such as the Act, the Company Act, Banking Act, Financial Holding Company Act, or Business Accounting Act, or due to a crime involving breach of faith such as corruption, malfeasance, fraud, breach of fiduciary duty, or embezzlement.

16. The court has decided that the issuer has an obligation for damages under the Act and the issuer has not met that obligation yet.

17. Collateral has been provided for a loan of any third party in violation of Article 5 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the circumstances are serious, and there has been no improvement.

18. There is an issuance of new shares in connection with a merger, or an issuance of new shares in connection with receiving transfer of shares of another company, or an issuance of new shares in connection with an acquisition or demerger conducted in accordance with related laws, and any one of the following descriptions presents:

A. There has been a material violation of the provisions of Chapter 2, Section 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

B. The received or acquired shares are not the newly issued shares of another company, non-current equity investment, or previously issued shares held by the shareholders of another company.

C. The ownership rights over the received shares or the acquired business or assets are encumbered or limited in such a way that restrictions on the trading rights are imposed.

D. There has been a violation of Article 167, paragraph 3 or 4 of the Company Act.

E. An audit report with unqualified opinion was not issued by a CPA for financial reports of an absorbed company for the most recent fiscal year; provided, that this provision does not apply where an audit report with qualified opinion was issued together with an unqualified opinion on the balance sheet.

19. An event prescribed in Article 13, paragraph 1, subparagraph 2, item 6 occurs, and any of the following circumstances is present:

A. A filing for issuance of new shares for cash, and any director or supervisor, or shareholder who holds shares over 10 percent of the total issued shares of the issuer, fails to undertake to place a certain percentage of their shares under the custody of a centralized securities depository enterprise.

B. A filing for issuance of convertible corporate bonds or corporate bonds with warrants.

20. The FSC deems it necessary, in order to protect the public interest, to reject or disapprove the issuer's application.

The term "company engaged primarily in the trading of securities" as referred to in subparagraph 9 of the preceding paragraph shall mean a company in which the issuer has directly invested, or in which a subsidiary of the said issuer has invested under the equity method, provided that its cash, together with cash equivalents, financial assets listed under current assets, and securities issued by the issuer account for 50 percent or more of the total assets value of such company, and the revenue or profit/loss respectively from trading or holding of the aforesaid assets account for 50 percent or more of the revenue or profit/loss of such company.

Where an issuer conducts an offering and issuance of securities as contemplated under Article 6, paragraph 2, subparagraph 2, or where either an OTC-listed company applying to transfer its listing to a stock exchange or an exchange-listed company applying to transfer its listing to an OTC market carries out a cash capital increase in order to achieve compliance with standards governing dispersion of equity ownership, if the underwriter evaluation report clearly explains the feasibility of the capital allocations and the reasonableness of the expected benefits of the present offering and issuance plan, then provisions regarding the necessity of the plan, as set out in subparagraph 5 of the preceding article and in paragraph 1, subparagraph 3 of this article, need not apply.

If the issuer is a securities, futures, or financial enterprise, it is not required to include investments in financial assets distinguished as current in its calculations when totaling the value of the assets set forth under paragraph 1, subparagraph 8. The provisions paragraph 1, subparagraph 9 need not apply if the issuer is an insurance enterprise, or it is an emerging stock company conducting a cash capital increase through a new share issue in accordance with the provisions of Article 6, paragraph 2, subparagraph 2, or it is either an OTC-listed company applying to transfer its listing to a stock exchange or an exchange-listed company applying to transfer its listing to an OTC market that intends to carry out a cash capital increase in order to achieve compliance with standards governing dispersion of equity ownership.

The provisions prescribed in paragraph 1, subparagraph 8 need not apply where an issuer, for the purpose of enjoying tax incentives, conducts a cash capital increase to raise funds not greater in amount than the upper limit set by the competent authority or NT\$100 million.

With respect to the issuance of new shares in connection with merger, issuance of new shares in connection with receiving transfer of shares of another company, or issuance of new shares in connection with an acquisition or demerger conducted in accordance with the law, the following parts of paragraph 1 need not apply: subparagraph 1, those provisions of subparagraph 4 that relate to implementation of a previous plan for cash capital increase or corporate bonds, and subparagraphs 13, 15, and 19. The provisions of paragraph 1, subparagraphs 1, 13 and 19 need not apply where an issuer has engaged a securities underwriter to publicly underwrite its ordinary corporate bonds.

Article 9

After the registration of a planned offering and issuance of securities has become effective, the issuer shall act in accordance with the following regulations:

1. Within 30 days after receipt of notice indicating that the registration has become effective, the issuer shall act in accordance with Article 252 or Article 273 of the Company Act.
2. With exception of the issuance of new shares in connection with merger, issuance of new shares in connection with receiving transfer of shares of another company, issuance of new shares in connection with acquisition or demerger conducted in accordance with related laws, issuance of ordinary corporate bonds, issuance of employee stock option certificates, and issuance of new restricted employee shares, an issuer shall retain a financial institution to collect payments and deposit them in the designated account opened by the issuer, and shall, prior to collecting payments, respectively enter into a payment collection agreement with the retained financial institution and an agreement for deposit in the designated account with the bank thereof, and within 2 days from the signing of such agreements shall enter the name of the financial institution and the date of the agreement into the website specified by the FSC for reporting of information. The collection of payments and deposit thereof in a designated account may not be handled by the same business unit in a bank. The financial institution of the designated account shall only allow an issuer to withdraw or use the money after the financial institution has received all the money due. Within 2 days after receipt of all the money due, the issuer shall enter the information on full collection of the proceeds into the website specified by the FSC for reporting of information.
3. Except where otherwise provided for by the FSC, within 30 days after the receipt of the approval letter for permission of incorporation or the amendment registration certificate of issuing new shares from the Ministry of Economic Affairs, the issuer of public offering shall have the securities certified in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies. The securities shall be delivered to subscribers or placees and a public announcement shall be made prior to the delivery; provided that in case where physical securities are not printed, certification of stocks and corporate bonds shall be exempt in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies.
4. Before issuing corporate bonds, the issuer shall enter into a contract with a centralized securities depository enterprise, agreeing therein to provide information related to the issue, and to lend its cooperation when asked to help with cancellation of the previous owner, repayment of principal, and payment of interest.
5. Before the utilization plan of the cash capital increase or corporate bond issuance is completed, the company having cash capital increase or issuing corporate bonds shall disclose the progress of the said plan in its annual report. In the case of the issuance of corporate bonds, within 2 days of the completion of the funds offering and prior to the tenth day of each month during the issuance period of the corporate bonds, information related to the issuance of the corporate bonds shall be input into the website specified by the FSC for reporting of information.
6. Within 10 days after the end of each quarter, the quarterly report on the

plan for cash capital increase or corporate bond issuance and capital utilization shall be posted to the website specified by the FSC for reporting of information in accordance with FSC regulations.

7. Where an exchange-listed or OTC-listed company conducts a cash capital increase or corporate bond issuance, it shall contact the original underwriter or the attesting CPA to comment on the reasonableness of the progress made regarding capital utilization and of the purposes for unused capital, and on whether there has been any deviation from the capital utilization plan, and within 10 days after the end of each quarter shall post this information together with the information referred to in the preceding subparagraph to the information reporting website specified by the FSC.

8. Listed or OTC companies issuing new shares in connection with a merger, issuing new shares in connection with receiving transfer of shares of another company, or issuing new shares in connection with acquisition or demerger conducted in accordance with related laws, shall, within 10 days after the end of each quarter during the first year after completion and registration of the merger, receipt of transfer of shares of another company, or acquisition or demerger, ask the original lead underwriter to provide an assessment opinion as to whether any of the aspects of the merger would have an effect on the finances, business, and shareholders' equity of the issuer, and input the same into the website specified by the FSC for reporting of information.

9. In the event of a change to an item or monetary amount of a particular item in the plan for cash capital increase or corporate bond issuance, thus causing the total amount required for the original item to either decrease or increase by an amount equivalent to 20 percent or more of the funds to be raised, the company shall amend the plan and, within 2 days after the amendment has been ratified by resolution of the board of directors, make a public announcement and submit the amendment to a shareholders' meeting for ratification; if the corporate bonds are denominated in a foreign currency, the funds raised thereby shall either be retained as foreign currency, or the entire amount converted into New Taiwan Dollars via an FX swap or cross currency swap (CCS) for use; otherwise, it shall apply for the approval of the Central Bank. If the company is an exchange-listed or OTC-listed company, upon such amendment and thereafter within 10 days after the end of each quarter, the listed or OTC company shall contact the original underwriter to comment on the reasonableness of the progress made regarding capital utilization and of the purposes for unused capital, and key in the aforesaid change and comment in combination with information as referred to in subparagraph 6 into the website specified by the FSC for reporting of information.

10. For corporate bonds issued in foreign-currency denominations, the collection of, payment of interest on, and repayment of principal for, funds raised thereby and, where the circumstances set forth in Article 11, paragraph 4 exist, the return of payment, shall be conducted by a designated bank through a foreign exchange deposit account using the book-entry transfer method.

11. For corporate bonds issued in foreign-currency denominations, a separate Statement of Changes in the Outstanding Balance of Issued Foreign-Currency

Denominated Corporate Bonds (Table 34) shall be filed on the information reporting website specified by the FSC on the 20th day of each month for the data as of the 15th of that month, and by the 5th day of each month for the data as of the end of the previous month; such Statements shall also be filed with the Central Bank.

In the event the issuer conducts a shelf registration to issue corporate bonds, any change to the filed material for the first issuance of corporate bonds occurring within the scheduled issuance date shall be reported to the FSC and be put in public announcement.

Article 10

Except where a physical certificate is not printed, when the issuer produces certificates evidencing payment for the purpose of cash capital increase or corporate bond issuance, such certificates shall be certified prior to delivery by the certifying institutions in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies. Before the amendment registration is approved by the competent authority over corporate registration, the company may use the documents evidencing effective registration for cash capital increase or corporate bond issuance and those evidencing that all money for shares or bond subscription has been paid in to serve as the basis for certification. Except where a physical certificate is not printed, the aforementioned certificate evidencing payment may be made in the minimum trading unit prescribed by the Stock Exchange or GreTai Securities Market and the "units" section can be left blank on some additional certificates so that the subscriber or placee can request the issuing company to produce shares or corporate bonds in fractional units.

Except where a physical certificate is not printed, the aforementioned certificate evidencing payment shall list the date and document reference number for the effective registration. Or the receipts can be produced before the registration becomes effective and be stamped with the date and document reference number for effective registration afterwards.

An exchange-listed, OTC-listed, or emerging stock company that issues stocks or corporate bonds shall deliver them by book-entry transfer in scripless form.

In connection with the issuance of securities, in case where a physical certificate is not printed, certification in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies need not apply.

Where securities are delivered by book-entry transfer, the issuance or cancellation shall be handled in accordance with the relevant rules of the centralized securities depository enterprises.

Article 11

If any of the circumstances listed below is discovered at an issuer that offers and issues securities, the FSC may void or revoke its effective registration or approval:

1. The subscription payment has not been fully raised and paid in cash after 3 months from the date of receiving the notice of effective registration from the FSC.
2. Any one of the events prescribed under Article 251, paragraph 1 or Article 271, paragraph 1 of the Company Act occurs.

3.The issuer is in violation of Article 20, paragraph 1 of the Act.
4.The issuer is in violation of Article 5.
5.A serious breach of, or failure to fulfill, a commitment made at the time securities were offered and issued.
6.The issuer is in violation of these Regulations or the restrictions or prohibitions effective at the time when the FSC notifies the issuer that its registration has become effective or application has been approved.
In the event a holder of securities makes a secondary distribution to unspecified persons, the FSC may revoke the registration when the situation prescribed under the aforementioned subparagraphs 3, 5 or 6 occurs after the registration with it has become effective.
From the date on which the registration becomes effective until the date of completion of the securities offering, if the content of a publicly disclosed financial forecast or other released information is at variance with the registration or application documents, and there has been a material impact on securities prices or shareholders' equity, the FSC may revoke or void the effectiveness of the report.
After the effective registration is revoked, if the issuer or holder has received money from others for purchasing securities, it shall return such payment with interests as regulated by laws within 10 days upon receipt of the cancellation notice from the FSC and be responsible for damages.

Chapter II Issuing Stock

Article 12

When offering and issuing stocks, the issuer shall submit the relevant registration statement (Attachments 2 through 12) based on the nature of its case, recording all of the necessary information, together with the required attachments to the FSC. Only after the registration becomes effective can the issuer proceed with such offering and issuance.
If the registration statement submitted by the issuer, or the information recorded therein, is incomplete, or any one of the events prescribed under Article 5 herein occurs, and the issuer submits the necessary supplementation before receiving a stop order from the FSC regarding its registration, its registration shall become effective when the effective registration period set forth in Article 13 has elapsed, counting from the date on which the FSC and FSC-designated institutions receive supplementation in full.

The registration of an issuer of an issuance of new shares for cash shall still become effective based on the effective registration period set forth in Article 13 herein, and the provisions of the preceding paragraph do not apply if the issuer, prior to that registration becoming effective, submits to the FSC and FSC-designated institutions updated relevant data due to a change in the issuing price.

Article 13

For an issuer conducting any of the case types listed below, registration shall become effective 20 business days from the date on which the FSC and FSC-designated institutions receive its registration form for the issuance of new shares:

- 1.Establishment by offering.
- 2.Any one of the types of share issuance set forth under Article 6, paragraph 2, subparagraphs 1 and 3, where the circumstances in any one of

the following items exist:

A. An issuance conducted in accordance with Article 6, paragraph 2 has been previously rejected, disapproved or revoked by the FSC. However, this restriction need not apply where the case had been rejected or revoked by the FSC because the issuance had not been fully subscribed and payment therefore had not been fully collected in cash since the effective registration or upon arrival of notification of approval.

B. The issuer has been sanctioned two or more times by the FSC in accordance with Article 178 of the Act for violating the Act or other relevant acts and regulations during the fiscal year when the registration was filed or during the previous fiscal year.

C. The profits or net profits before tax of the issuer show losses in the recent 2 consecutive years or the latest financial reports indicate that the net asset value per share is lower than its par value.

D. The issuer is required to allocate special reserve for its non-arm's length transactions and such requirement is not lifted yet.

E. During the year of registration or the previous 2 years, an event set forth under Article 185 of the Company Act has occurred or a portion of the operations or R&D results is transferred to another company. However, if the operating revenue or assets value of those transferred items or the expenses accumulated for R&D does not exceed 10 percent of the operating revenue or assets value or R&D expenses shown on the financial reports of the previous year respectively, such restriction does not apply.

F. A material change has occurred among the company's governance or top management in the year of registration or the previous 2 years and any one of the following events takes place:

a. The submitted financial reports indicates an addition to the principal products (meaning that the operating revenue resulting from the products accounts for 20 percent or more of the operating revenue) and that the total operating revenue or operating income from the added principal products accounts for 50 percent or more of the same respective categories of that year. However, the difference between the operating revenue for the preceding and following periods did not reach 50 percent or more therefore the principal products may not be counted.

b. The submitted financial reports indicates that the issuer has acquired an on-going or completed construction project and the operating revenue or operating income from that project has reached 30 percent of the same respective categories of that year.

c. The submitted financial reports indicates that the issuer has received transfer of a portion of the operations or R&D results of another company other than an affiliated company and that the operating revenue or operating income from that partial operations or R&D result has reached 30 percent of the same respective categories of that year.

Except for an issuer filing for registration pursuant to the provisions of the preceding paragraph, the registration of an issuer that files to issue new shares shall become effective 12 business days after the date on which the FSC and FSC-designated institutions receive its registration form.

However, for an issuer other than those in the financial holding, banking, bills finance, credit card, or insurance businesses that conducts any of the matters listed below, the effective registration period shall be

shortened to 7 business days:

1. An emerging-stock company, or company that is neither listed on an exchange nor traded on an OTC market, issues new shares for a cash capital increase, and does not allocate a certain percentage of the newly issued shares to a public offering.

2. An emerging-stock company, or company that is neither listed on an exchange nor traded on an OTC market, issues new shares in connection with merger, or issues new shares in connection with an acquisition or demerger conducted in accordance with related laws.

3. An emerging-stock company issues new shares for cash for the purpose of public sale in connection with initial listing on the stock exchange or OTC market.

4. Either an OTC-listed company has applied to transfer its listing to a stock exchange or an exchange-listed company has applied to transfer its listing to an OTC market, and the Taiwan Stock Exchange or the GreTai Securities Market has filed the exchange listing or OTC listing with the FSC, and the company is now carrying out a cash capital increase in order to achieve compliance with standards governing dispersion of equity ownership.

Where an issuer issues new shares in connection with receiving transfer of shares of another company, and files for effective registration with the FSC on the same day, that registration becomes effective 12 days from the date on which the FSC and FSC-designated institutions receive the registration application.

Paragraph 1, subparagraph 2 does not apply to cases of issuance of new shares in connection with merger, issuance of new shares in connection with receiving transfer of shares of another company, or issuance of new shares in connection with acquisition or demerger conducted in accordance with related laws.

Article 14

An exchange-listed or OTC-listed company or an emerging stock company may issue preferred shares with warrants for which the preferred shares and warrants are detachable; a company whose stock is neither listed on an exchange nor traded over-the-counter at securities firms may not issue preferred shares with warrants for which the preferred shares and warrants are detachable.

For issuance of preferred stocks with warrants, the terms and conditions shall provide for the following items:

1. Issue date.

2. Class of the preferred stocks and total issue amount.

3. The number of warrant units represented by each preferred share with warrant.

4. The listing or trading at the places of business of securities firms of the preferred stocks with warrants of an exchange-listed or OTC-listed company.

5. Criteria for setting conditions for exercising the warrant (including exercise price, exercise period, type of the share for warrant exercise, and the number of shares represented by each warrant).

6. For stocks with detachable warrants, the total number of the issued units of the warrants and the method of calculation of the price per unit of the

warrants.

7.The adjustment of exercise price.

8.Procedure of request for exercising the warrant and method of paying for stock price. The method of paying for stock price shall be conducted by means of a choice of payment of cash or an offset of preferred stocks from the given offering.

9.The rights and obligations after exercising warrant.

10.Shares for performance of contract shall be restricted to the issuance of new shares.

11.The number of times and date for the stockholder to acquire new stocks by submitting the certificate of payment for stock price.

12.Procedure for obtaining the preferred stocks with warrants.

13.Other important stipulations.

The exercise price for preferred shares with warrants in an emerging stock company, may not be lower than the weighted average trade price for the company's common shares during the period preceding the price determination date, and may not be lower than its net value per share as reported in the financial reports for the most recent fiscal period, audited and attested (or reviewed) by a CPA, and a recommending securities firm shall be retained to give an opinion on the reasonableness of the issuing price.

The exercise price for preferred shares with warrants issued by a company whose stock is neither listed on an exchange nor traded over-the-counter at securities firms may not be lower than its net value per share as reported in the financial reports for the most recent fiscal period, audited and attested or reviewed by a CPA, and a CPA shall be retained to give an opinion on the reasonableness of the issuing price.

The weighted average trade price for the company's common shares during the period preceding the price determination date as mentioned in paragraph 3 of this article and in Article 33, paragraph 2, and Article 42, paragraph 3 shall mean the sum of the monetary amounts traded on each business day of those emerging stock common shares in the Emerging Stock Computerized Price Negotiation and Click System during the 30 business days preceding the price determination date, divided by the sum of the numbers of those shares traded on each of those business days.

Paragraph 2 of Article 42, and Articles 43 through 49 shall apply mutatis mutandis to issuance of preferred stocks with warrants by an issuer.

Article 15

Where an issuer files registration to issue stocks and any of the circumstances listed below exists, the FSC may suspend the effectiveness of its registration:

1.The registration statement is incomplete or the information contained therein is insufficient.

2.Any one of the events prescribed under Article 5 occurs.

3.The FSC deems it necessary in order to protect the public interest.

Article 16

After receiving the notice of suspension for its registration from the FSC, the issuer may make corrections in response to the reasons given in the said notice and apply for revoking the suspension by the FSC. If the issuer does not receive any notice for further supplementation from the FSC or its case is not rejected, its registration shall become effective upon the

expiration of the time period starting from the last date when the FSC and FSC-designated institutions receive the supplementary documents to the time required for becoming effective as prescribed under Article 13.

If, after the FSC suspends its effective registration in accordance with the previous Article, within 12 business days after receipt of such notice, the issuer does not apply for revocation of such decision or the causes of suspension given in the FSC's notice remain pending even it has applied for revocation, the FSC may reject the issuer's application.

Article 17

When an exchange-listed or OTC-listed company handles an issuance of new shares in a cash capital increase, unless those who are prohibited from trading stocks in the market under paragraph 2 of Article 139 of the Act, the issuer shall allocate 10 percent of the aggregate number of new shares for public offering at market price and is exempted from paragraph 3 of Article 267 of the Company Act which prescribes that the current shareholders shall be entitled to subscribe the new shares in proportion to the percentage of their respective shareholding. However, if the shareholders meeting decides to have a higher percentage, its resolution should be applied.

The provisions of the preceding paragraph shall apply mutatis mutandis to an issue of new shares for cash conducted by an emerging stock company for the purpose of public sale in connection with initial listing on the stock exchange or OTC market; the provisions of the preceding paragraph may apply mutatis mutandis to an issue of new shares for cash conducted by an emerging stock company for other purposes.

Issuing new shares for cash capital increase by a company whose shares are listed or traded at the business places of securities firms, except those allocating a certain percentage of the aggregate number of new shares for public offering pursuant to the preceding two paragraphs, shall be handled in accordance with paragraph 3 of Article 267 of the Company Act.

Where the issuer allocates shares for public offering at market price in accordance with paragraphs 1 and 2, the prices for the employees of the issuer or the original shareholders to pay for the new shares in the same issuance shall be the same as the price set for public offering.

Article 18

If the number of registered shareholders holding 1,000 shares or more of a company whose shares are neither listed on an exchange nor traded in the business places of securities firms does not reach 300, or the company fails to reach the shareholding dispersion standard prescribed by the competent authorities, upon conducting cash offering of new shares, the company shall allocate 10 percent of the new shares for public offering and is exempted from paragraph 3 of Article 267 of the Company Act which prescribes that the current shareholders shall be entitled to subscribe the new shares in proportion to their respective shareholding percentage, unless any one of the following events occurs. However, if the shareholders meeting decides to set a higher percentage, its resolution shall be applicable:

- 1.It conducts the initial public offering.
- 2.It has been incorporated for less than 2 complete fiscal years.
- 3.Both the company's final operating income and the pre-tax income as

ratios of the equity attributable to owners of the parent as reported in the financial reports fail to meet any of the below conditions. However, the profitability as reported in the financial reports does not take into account the effects on the company brought about by the net profit (or net loss) attributable to its non-controlling interests.

A.The said ratios for the most recent fiscal year reach 2 percent or more, and the company has no accumulated losses for the most recent fiscal year.

B.The said ratios for the most recent 2 fiscal years reach 1 percent or more.

C.The average of the said ratios for the most recent 2 fiscal years reaches 1 percent or more, and the profitability of the company for the most recent fiscal year is more favorable than that for the previous fiscal year.

4.The number of shares allocated for public offering in accordance with the 10 percent requirement or the percentage set by the resolution of the shareholders meeting does not reach 500,000.

5.Preferred stocks with warrants are issued.

6.Any situation where the FSC deems the public offering unnecessary or inappropriate.

Where a company is a major national economic enterprise as determined and certified by the competent authority for the enterprise, the provisions of subparagraphs 1 through 3 of the preceding paragraph shall not be applicable.

Where an issuer publicly offers its securities in accordance with paragraph 1, the prices for the employees of the issuer or the original shareholders to pay for the new shares in the same issuance shall be the same as the price set for public offering, and it shall be noted in the prospectus and subscription form that its shares are neither listed on the Stock Exchange nor listed and traded on any OTC market.

Article 19

An issuer that conducts an issuance of new shares for cash, or issuance of new shares in connection with merger, receipt of transfer of shares of another company, or an acquisition or demerger conducted in accordance with related laws is not subject to the restriction set forth in Article 140 of the Company Act prohibiting a stock issue price lower than par value.

An issuer registering an issuance of new shares for cash at below par value shall state its reasons for not using other cash raising methods and the reasonableness thereof, its method for setting the issuing price, and any possible effects on shareholders' equity, and shall submit the report to a shareholders' meeting for approval by resolution in accordance with the Company Act or securities laws and regulations.

An issuer registering an issuance of new shares for cash at below par value shall, after receiving the effective registration from the FSC, using a prominent font, specify in the prospectus and the subscription form the necessity and reasonableness of issuing the new shares at a discount, and the reasons and reasonability for not using other cash raising methods.

Chapter III Issuance of Corporate Bonds

Section I Ordinary Corporate Bonds

Article 20

When an issuer files for registration of an issue of straight corporate bonds, and purchasers of the bonds are restricted to professional investors

as defined in the GreTai Securities Market Rules Governing Management of Foreign Currency Denominated International Bonds, the prospectus submitted must contain the issuer's basic company information, issuance rules, and planned utilization of funds, and the issuer may be exempt from the requirement to prepare the prospectus in accordance with the Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses.

For the corporate bonds of the preceding paragraph or corporate bonds denominated in a foreign currency, an application shall be filed with the GreTai Securities Market for registration for OTC trading.

Article 21

A public company may issue corporate bonds only after it has submitted the Registration Statement for Issuing Corporate Bonds (Attachments 13 and 14), provided all information required therein and sent the registration statement along with relevant documents to the FSC and obtained an effective registration.

In the event the public company registers with the FSC and FSC-designated institutions in accordance with the preceding paragraph, its registration shall become effective 7 business days after the Registration Statement for Issuing Corporate Bonds is received by the FSC and its designated institutions. However, the waiting period for effective registration is 12 business days in the case of a financial holding, bill finance, or credit card enterprise.

The provisions of paragraph 2 of Article 12, Article 15, and Article 16 shall apply mutatis mutandis to public companies that file for registration in accordance with paragraph 1.

After registering for issuing corporate bonds, if the public company changes the terms of issuance or the coupon interest rate and then submits the modified relevant documents to the FSC and FSC-designated institutions before the original registration becomes effective, its registration will become effective in accordance with the time frame prescribed in paragraph 2.

Article 22

In the event the issuer meets all the following conditions simultaneously, it may submit the Shelf Registration Statement for Issuing Corporate Bonds (Attachment 15), provide all information required therein, along with all required documents to the FSC for effective registration. In addition, it shall complete the issuance within the scheduled issuance period.

1. Its stocks have been listed in the stock exchange market or traded in the business places of securities firms for a combined period of 3 years or more. However, this provision does not apply under the following circumstances:

A. Where the issuer is a government-owned enterprise.

B. Where the issuer is a financial holding company conforming to Article 4 paragraph 4 of the Financial Holding Company Act providing that the subsidiary bank, subsidiary insurance company, or subsidiary securities firm be listed or its shares be traded in the business places of securities firms for a total of 3 years.

2. It has periodically or non-periodically disclosed its financial information to the public in accordance with Article 36 of the Act or other

relevant laws for the past 3 years.

3. There has been no occurrence of rejection, or withdrawal by the FSC with regard to the offering and issuance of securities within the past 3 years. However, this restriction need not apply to the case where, following the date of receiving the notice of effective registration, the issuance has not been fully subscribed and payment thereof has not been fully collected in cash and hence the case has been rejected or revoked by the FSC.

4. The cash capital increase or corporate bond issuance plans effectively registered with the FSC within the past 3 years have been implemented in accordance with the schedules and no material changes have occurred.

5. The CPAs retained by the issuer have not received a warning or more severe sanction for their handling of securities offering and issuance within the last 3 years.

6. The lead underwriter retained by the issuer has not been punished in accordance with Article 66, subparagraph 2 of the Act to discharge its director, supervisor, or manager or with more severe sanctions in connection with handling of securities offering and issuance within the last 3 years.

Paragraph 2 of Article 12, Articles 15 and 16, and paragraphs 2 and 4 of the preceding article shall apply mutatis mutandis to the issuer that registers with the FSC in accordance with the preceding paragraph.

The scheduled issuance period referred to in paragraph 1 may not exceed 2 years counting from the date of effective registration. The issuer shall set the said period at the time of registering with the FSC.

Where an issuer issues corporate bonds during the scheduled issuance period, it shall consign an underwriter to underwrite the issuance on a firm commitment basis.

When an issuer files for registration of an issue of corporate bonds in accordance with paragraph 1, and purchasers of the bonds are restricted to professional investors as defined in the GreTai Securities Market Rules Governing Management of Foreign Currency Denominated International Bonds, the prospectus submitted must contain the issuer's basic company information, issuance rules, and planned utilization of funds, and the issuer may be exempt from the requirement to prepare the prospectus in accordance with the Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses.

Article 23

When issuing corporate bonds within the scheduled issuance period as referred to in the preceding Article, the issuer shall, on the next business day after it has put such issuance plan in public announcement in accordance with Article 252 of the Company Act and completed payment collection, submit the Supplementary Form for the Shelf Registration for Issuing Corporate Bonds (Attachment 16) completed with all required information, together with required documents, to the FSC for recordation. In case of change of CPA or lead underwriter retained by the issuer during the scheduled issuance period as referred in the preceding Article, qualifications prescribed in paragraph 1, subparagraph 6 or 7 of the preceding article shall apply to the succeeding CPA or lead underwriter. The FSC may suspend the additional issuance of corporate bonds supplemental to the current issuance in case where an issuer violates Articles 7 and 8

and paragraph 1 of the preceding article during the scheduled issuance period.

Article 24

Upon the occurrence of any one of the following events, the effective registration of the shelf registration for issuing corporate bonds shall be terminated:

- 1.The issuer has the condition prescribed in paragraph 3 of the preceding article.
- 2.The scheduled issuance period expires.
- 3.The planned total issuance amount has been fully issued.
- 4.The FSC deems revocation of the shelf registration to be necessary to protect the public interest.

Prior to the termination of such shelf registration, the issuer is not allowed to register for issuing ordinary corporate bonds again.

Article 25

Except as otherwise regulated by laws, an issuer registering the issuance of secured corporate bonds backed by stocks of another company shall comply with the following:

- 1.The collateral shall be restricted to stocks, owned for 1 year or more by the issuer, of a listed company or a company whose shares are traded at the business places of securities firms in accordance with Article 3 of the GreTai Securities Market Rules Governing Review of Securities Traded on Over-the-Counter Markets. The said collateral may not be attached with any restriction such as the creation of a pledge, restricted trading in the Stock Exchange market or an OTC market, change of trading method, or suspended trading.
- 2.The value of the collateral upon registration may not be lower than 150 percent of the principal and interest to be borne by the subject corporate bonds to be issued.
- 3.The collateral shall be mortgaged or pledged to the trustee of creditors, and it shall be noted in the trust contract that during the term of the corporate bond, the trustee shall daily evaluate the collateral based on its closing price. In case where the value of the collateral decreases to the extent that the collateral maintenance ratio is lower than a certain percentage of the principal and interests to be borne by the subject corporate bonds to be issued, the trustee shall promptly notify the issuer to settle the shortfall. The issuer shall settle the shortfall within 2 business days upon receipt of notification from the trustee, and shall state in the trust contract the actions to be taken when the issuer fails to settle the shortfall within the time limit, as well as the mandatory responsibilities of the trustee.

Article 26

A public company may issue exchangeable corporate bonds whose repayment subject is the stocks, held by the public company for more than 2 years, of a listed company or a company whose shares are traded at the business places of securities firms in accordance with Article 3 of the GreTai Securities Market Rules Governing Review of Securities Traded on Over-the-Counter Markets.

A public company may issue exchangeable corporate bonds only after it has submitted the Registration Statement for Issuing Exchangeable Corporate

Bonds (Attachment 17), provided all information required therein, along with required documents to the FSC, and after such registration becomes effective.

Paragraph 2 of Article 12, Articles 15 and 16, and paragraphs 2 and 4 of Article 21 shall apply mutatis mutandis to the public company registering with the FSC in accordance with the preceding paragraph. However, the waiting period for effective registration is 12 business days in the case of a financial holding, banking, bill finance, or credit card enterprise. When issuing exchangeable corporate bonds, the issuer shall set out the following items in the terms of issuance and exchange:

1. Article 29, paragraph 1, subparagraphs 1 through 8, 10, 11, 13, and 17 shall apply mutatis mutandis.
2. The procedures for requesting exchange and the ways of payment.
3. The deposit procedures for the underlying shares.

Unless otherwise regulated by related laws, the aforementioned deposit procedure shall be conducted by a centralized securities depository enterprise. During the period of deposit, the underlying shares may not be pledged or retrieved.

The bondholder who requests for exchange shall fill out the Exchange Request Form and submits the form along with the bonds in question to the issuer or its agent. The exchange becomes effective at the time of receipt of the aforementioned documents. After receiving the exchange request from the bondholder, the issuer or its agent shall deliver the exchange underlying stock to the bondholder within the next business day. If the exchange results in odd-lot units of less than 1,000 shares, the stocks can be delivered within 5 business days.

When issuing exchangeable corporate bonds, the issuer shall engage securities underwriter(s) to handle a public offering of the entire issuance, to which the provisions of Article 30, Article 32, Article 35, and Article 37 shall apply mutatis mutandis.

Section II Convertible Bonds

Article 27

Exchange-listed or OTC-listed companies shall submit the Registration Statement for Issuing Convertible Bonds (Attachments 18 and 19), provide all information required therein, along with required documents to the FSC for registration. The companies can commence issuing convertible bonds only after the registration becomes effective.

Registration to issue convertible corporate bonds filed by an exchange-listed or OTC-listed company at which any of the circumstances set forth in Article 13, paragraph 1, subparagraph 2 exists shall become effective 20 business days from the date on which the FSC and FSC-designated institutions receive its registration form.

Registration to issue convertible corporate bonds submitted by an exchange-listed or OTC-listed company, except those filing in accordance with the preceding paragraph, shall become effective 12 business days after the date on which the FSC and FSC-designated institutions receive its registration form.

When an emerging stock company or a company whose shares are neither listed on an exchange nor traded at the business places of securities firms submits a registration in accordance with paragraph 1, the Registration

Statement for Issuing Convertible Bonds will become effective 7 business days after its receipt by the FSC and FSC-designated institutions. However, the waiting period for effective registration is 12 business days in the case of a financial holding, banking, bill finance, or credit card enterprise.

Where registration is filed pursuant to paragraph 1 herein, Article 12, paragraph 2, Article 15, Article 16, and Article 21, paragraph 4 shall apply mutatis mutandis.

Article 28

A convertible corporate bond issuance denominated in a foreign currency shall submit to the GreTai Securities Market an application for registration to be traded over-the-counter.

Article 29

The following items shall be specified in the terms of issuance and conversion when issuing convertible bonds:

1. Issue date.
2. Coupon rate and payment of interest.
3. Date of interest payment.
4. Type of corporate bonds, the face value of each bond and the aggregate amount of this issuance.
5. The availability of collateral or guarantee.
6. The name of trustee and material covenants.
7. Terms of repayment (e.g. repayment of principal upon maturity, payment of principal prior to maturity, terms of call or redemption, etc.).
8. The listing or trading at the business places of securities firms of convertible bonds of an exchange-listed or OTC-listed company.
9. Procedures regarding request for conversion.
10. Criteria for setting terms and conditions of conversion (including conversion price, conversion period and the classes/types of shares to be converted with).
11. Adjustment of conversion price.
12. The disposition of interests and dividends in the year of conversion.
13. The disposition of monetary value for the conversion of less than one share while processing a conversion.
14. Rights and obligations after conversion.
15. The number of times and date for the bondholder to submit the certificates of conversion to acquire new stocks.
16. Conversion shall be performed by either issuing new shares or delivering already issued shares, except that conversion by an emerging stock company or a company whose shares are neither listed on an exchange nor traded at the business places of securities firms shall be effected only through the issuance of new shares.
17. Procedures for obtaining the convertible bonds.
18. Other important stipulations.

Where secured convertible corporate bonds are backed by the stocks of another company held by the issuer, the provisions of Article 25 shall apply mutatis mutandis.

Article 30

The face value of convertible bond is limited to NT\$100,000 or multiples thereof and the repayment period may not be longer than 10 years. Those

bonds in the same issuance shall have the same repayment period.

Article 31

When issuing convertible bonds, with the exception of listed or OTC companies, for which an underwriter shall be engaged to underwrite all bonds issued on a firm commitment basis, the bonds may not be underwritten and offered to the public.

Article 32

From the end of a designated period of time following the issuance date of convertible corporate bonds until 10 days before the maturity date, the bondholder may request for conversion at any time in accordance with the procedures of conversion set by the issuer, except during the period in which transfer is suspended by laws.

The designated period of time referred to in the preceding paragraph shall be set by the issuer in its procedures for conversion.

Convertible corporate bonds issued by an exchange-listed, OTC-listed, or emerging stock company are not subject to the restriction of paragraph 1 that conversion may not be made during the 10 days before the maturity date.

Article 33

The conversion of convertible bonds to stocks is not subject to the restriction of Article 140 of the Company Act that the issuing price of the stocks may not be below par value.

The conversion price for convertible bonds issued by an emerging stock company may not be lower than the weighted average trade price for the company's common shares during the period preceding the price determination date, nor may it be lower than the company's net value per share as reported in the financial reports for the most recent fiscal period, audited and attested (or reviewed) by a CPA, and a recommending securities firm shall be retained to give an opinion on the reasonableness of the issuing price.

The issuing and conversion price for convertible bonds issued by a company whose shares are neither listed on an exchange nor traded on an OTC market shall not be lower than the company's net value per share as reported in the financial reports for the most recent fiscal period, audited and attested (or reviewed) by a CPA, and a CPA shall be retained to give an opinion on the reasonableness of the issuing price.

Article 34

When the bondholder requests for conversion, unless otherwise regulated by the FSC, the holder shall fill out a conversion request form and submit it along with the bond in question, or the passbook in which the bond is recorded, to the issuer or its agent for such purpose. The conversion will become effective at the time the said documents have arrived at the business places of the issuer or its agent. After receiving such request for conversion, the issuer or its agent shall enter the name of the bondholder into the shareholder register and it shall deliver the new shares or certificates of bond-to-stock conversion to the holder within 5 business days.

The shares or certificates of bond-to-stock conversion of listed, OTC, or emerging stock companies issued under the preceding paragraph can be traded in the market or at the business places of securities firms on the date of

its delivery to shareholders.

Where the issuer makes delivery of newly issued shares under paragraph 1, it shall, within 15 days after the end of the current quarter, publicly announce the number of new shares issued in the preceding quarter.

For new shares issued in accordance with paragraph 1, the day, month, and year of effective registration as stated in the FSC notification may be substituted for the day, month, and year of amendment registration for issuance of new shares under Article 162, paragraph 1, subparagraph 2 of the Company Act; after such issuance of new shares, the issuer shall, at least once per quarter, submit an application for capitalization amendment registration to the competent authority for company registration, annexing the FSC's letter of approval for the original issuance of convertible corporate bonds.

For certificates of bond-to-stock conversion issued in accordance with paragraph 1, before the end of each fiscal year, the issuer shall present the consent letter from the FSC which previously approved the issuance of convertible bonds and apply with the competent authority over the corporate registration/incorporation to register the change in its capital and to issue new shares.

Article 35

Convertible bonds, as well as certificates of bond-to-stock conversion and stocks for which conversion is requested in accordance with related laws, except those in scripless form, shall be in registered form.

Article 36

Before the formal delivery of shares or certificates of bond-to-stock conversion in accordance with Article 34, these shares or certificates shall be certified by the certifying organization in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies.

Article 37

The conversion price of the convertible bond shall be announced to the public by the issuer prior to the sale of the bonds.

The conversion price referred to in the preceding paragraph shall mean the face value of convertible bond required for converting it to one share of stock.

Section III Corporate Bonds with Equity Warrants

Article 38

An exchange-listed or OTC-listed company or an emerging stock company may issue corporate bonds with equity warrants for which the corporate bonds and warrants are detachable; a company whose stock is neither listed on an exchange nor traded over-the-counter at securities firms may not issue corporate bonds with equity warrants for which the corporate bonds and warrants are detachable.

Article 39

An exchange-listed or OTC-listed company may only issue corporate bonds with equity warrants after it has submitted the Registration Statement for Issuing Corporate Bonds with Equity Warrants (Attachments 22 and 22-1), and provided all information required therein, along with required documents to the FSC for registration, and the registration has become effective. Registration to issue corporate bonds with equity warrants filed by an

exchange-listed or OTC-listed company where any of the circumstances under Article 13, paragraph 1, subparagraph 2 exist shall become effective 20 business days from the date the FSC and FSC-designated institutions receive the registration form.

The registration filed by an exchange-listed or OTC-listed company, except those filing in accordance with the preceding paragraph, shall become effective 12 business days after being received by the FSC and FSC-designated institution.

When an emerging stock company or a company whose shares are neither listed on an exchange nor traded at the business places of securities firms that submits a registration in accordance with paragraph 1, the Registration Statement for Issuing Convertible Bonds will become effective 7 business days after its receipt by the FSC and FSC-designated institutions. However, the waiting period for effective registration is 12 business days in the case of a financial holding, banking, bill finance, or credit card enterprise.

Where registration is filed pursuant to paragraph 1 herein, Article 12, paragraph 2, Article 15, Article 16, and Article 21, paragraph 4 shall apply mutatis mutandis.

Article 40

For an issuance of corporate bonds with equity warrants that is denominated in a foreign currency, an application shall be filed with the GreTai Securities Market for registration for OTC trading.

Article 41

The following items shall be provided in the terms and conditions when issuing corporate bonds with equity warrants:

1. Issue date.
2. Coupon rate and payment of interest.
3. Date of interest payment.
4. Type of corporate bonds, the amount of each bond and the aggregate amount of this issuance.
5. The units of warrant represented by each corporate bond with warrant.
6. For corporate bonds with detachable warrants, the total number of the issued units of the warrants and the method of calculation of the price per unit of the warrants.
7. The availability of security or guarantee.
8. Name of trustee and material covenants.
9. Terms of repayment (e.g. repayment of principal upon maturity, payment of principal prior to maturity, terms of call or redemption, etc.).
10. The listing or trading at the business places of securities firms of listed or OTC companies' corporate bonds with equity warrants.
11. Procedures regarding request for exercising warrant; payment for stock price shall be made either in cash or by corporate bonds of the issuer.
12. Criteria for setting terms and conditions of exercising warrant (including exercise price, exercise period, the classes/types of shares with which to exercise warrant, and the number of shares represented by each unit of warrant).
13. Adjustment of exercise price.
14. The disposition of interests and dividends in the year of exercising warrant.

15. Rights and obligations after exercising warrant.
16. Performance of contract shall be made only by issuing new shares.
17. The number of times and date for the bondholder to acquire new stocks by submitting certificates of payment for shares.
18. Procedure for obtaining the corporate bond with equity warrant.
19. Other stipulations.

Secured corporate bonds with equity warrants are backed by the stocks of another company held by the issuer, the provisions of Article 25 shall apply *mutatis mutandis*.

Article 42

The face value of a corporate bond with equity warrants is limited to NT\$100,000 or multiples thereof.

In cases where it is necessary to issue new shares in connection with exercise of warrants, the total number of new shares multiplied by the exercise price per share may not exceed the total issued amount, in terms of face value, of the subject corporate bonds.

The exercise price for the corporate bonds with equity warrants issued by an emerging stock company may not be lower than the weighted average trade price for the company's common shares during the period preceding the price determination date, nor may it be lower than the company's net value per share as reported in the financial report for the most recent fiscal period, audited and attested (or reviewed) by a CPA, and a recommending securities firm shall be retained to give an opinion on the reasonableness of the issue price.

The exercise price for shares of corporate bonds with warrants issued by a company whose shares are neither listed on an exchange nor traded on an OTC market may not be lower than its net value per share as reported in the financial report (audited and attested [or reviewed] by a CPA) for the most recent fiscal period, and a CPA shall be retained to give an opinion on the reasonableness of the issue price.

Article 43

When issuing corporate bonds with equity warrants, with the exception of listed or OTC companies, for which an underwriter shall be engaged to underwrite all bonds issued on a firm commitment basis, the bonds may not be underwritten and offered to the public.

Article 44

Prior to offering the corporate bonds with equity warrants, the issuer shall make public announcement on the exercise price.

Article 45

From the end of a designated period of time following the issuance date of corporate bonds with warrants until 10 days before the maturity date, the bondholder may request for exercising warrants at any time in accordance with the terms set by the issuer, except during the period in which transfer is suspended by laws. However, the exercise period may not be longer than the repayment period for the corporate bond.

The designated period of time referred to in the preceding paragraph shall be set by the issuer in its terms for issuance and exercise.

Corporate bonds with warrants issued by an exchange-listed, OTC-listed, or emerging stock company are not subject to the restriction of paragraph 1 that exercise may not be made during the 10 days before the maturity date.

Article 46

The performance of obligations by the issuer regarding exercise of warrant is not subject to the restriction of Article 140 of the Company Act that the issue price of the stocks may not be below par value.

Article 47

When requesting for exercising warrants, the holder shall fill out an exercise request form and submit it to the issuer or its agent for such purpose. After receiving such request and full payment of the stock price, the issuer or its agent shall enter the name of the bondholder into the shareholder register and deliver the new shares or certificates of payment for shares to the holder within 5 business days.

The aforesaid shares or certificates of payment for shares issued by listed, OTC, or emerging stock companies in accordance with the preceding paragraph may be traded in the stock exchange market or at the business places of securities firms from the day of delivery to shareholders.

Where the issuer delivers shares under paragraph 1, it shall, within 15 days after the end of the current quarter, publicly announce the amount of new shares issued in the preceding quarter.

For new shares issued under paragraph 1, the day, month, and year of effective registration as stated in the FSC notification may be substituted for the day, month, and year of amendment registration for issuance of new shares under Article 162, paragraph 1, subparagraph 2 of the Company Act; after such issuance of new shares, the issuer shall, at least once per quarter, submit an application for capitalization amendment registration to the competent authority for company registration, annexing the FSC's letter of approval for the original issuance.

Before the end of each fiscal year, the issuer issuing the certificates of payment for shares in accordance with paragraph 1 shall present evidence of full payment of the stock price and the consent letter from the FSC which previously approved the issuance of corporate bonds with equity warrants and apply to the competent authority in charge of the corporate registration to register the change in its capital and to issue new shares.

Article 48

Corporate bonds with equity warrants, and duly applied for and issued certificates of payment for shares, or stocks, except where in scripless form, shall uniformly be in registered form.

Article 49

Except where physical certificate is not printed, before the formal delivery of exchanged shares or certificates of payment for shares in accordance with Article 47, these shares or certificates shall be certified by the certifying organization in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies.

Chapter IV Issuance of Employee Stock Warrants and New Restricted Employee Shares

Article 50

Where an issuer applies for issuance of employee stock warrants or new restricted employee shares, the FSC may reject the application upon the occurrence of any one of the following events:

1. The applicant has been posting losses for the most recent 2 consecutive years; provided that the said restriction need not apply to the case where

the business nature justifies longer preparation period or where a sound business plan is presented to demonstrate capability of improving profitability.

2. Its assets are insufficient to cover debts.

3. Major default occurs which has yet to be settled, or less than 3 years have elapsed since the settlement thereof.

4. Failure of the issuer, which already issued employee stock warrants or new restricted employee shares, to perform terms and conditions thereof, and the situation has not been improved, or less than 3 years have elapsed since the improvement thereof.

5. Where the FSC deems it necessary to reject or disapprove the issuer's application to protect the public interests.

Article 51

Where an issuer applies for issuance of employee stock warrants, the number of shares for each issuance of employee stock warrants may not be more than 10 percent of its total issued shares.

Where an issuer issues employee stock warrants, the cumulative number of shares subscribable by any single subscriber may not be more than 1 percent of its total number of issued shares.

Article 52

Employee stock warrants may not be transferable, except for those that are inherited.

Article 53

Where an exchange-listed or OTC-listed company reports its issuance of employee stock warrants, the exercise price may not be lower than the closing price of the company stocks as of the issuing date.

Where an emerging stock company issues employee stock warrants, the exercise price may not be lower than the weighted average trade price for the company's common shares during the period preceding the price determination date, and may not be lower than the net value per share in the financial reports audited and attested or reviewed by a CPA issued for the most recent period, provided that when at the date of issuance the company is already exchange-listed or OTC-listed, the provisions of the preceding paragraph shall apply.

The exercise price for employee stock warrants issued by a company whose shares are neither listed on an exchange nor traded over-the-counter at securities firms may not be lower than its net value per share as reported in the financial reports for the most recent fiscal period, audited and attested or reviewed by a CPA, and a CPA shall be retained to give an opinion on the reasonableness of the issue price, provided that if the company has already become an emerging stock company on the issuance date, the provisions of the preceding paragraph shall apply.

Article 14, paragraph 5 shall apply mutatis mutandis to the weighted average trade price for the company's common shares during the period preceding the price determination date referred to in paragraph 2.

Article 54

With exception for the lock-up period in accordance with the law, an employee may request for exercising the stock option pursuant to the terms and conditions set by the company after 2 full years since the issuance of the employee stock warrants.

The term of the employee stock warrants may not be more than 10 years.

Article 55

An issuer issuing employee stock warrants shall file the registration statement (Attachment 22) documenting all required items, together with all required documents, to the FSC, may proceed with the issue only after the registration with the FSC becomes effective.

The aforesaid report shall become effective 7 business days after its receipt by the FSC and FSC-designated institutions, and paragraph 2 of Article 12, and Articles 15 and 16 shall apply *mutatis mutandis*. However, the waiting period for effective registration is 12 business days in the case of a financial holding, banking, bill finance, credit card, or insurance enterprise.

Article 56

An issuer reporting issuance of employee stock warrants shall obtain approval by the majority votes in a meeting of Board of Directors which two-thirds or more directors are present. The following matters shall be provided in the terms and conditions regarding the issue and exercise of stock option:

1. Issue period.
2. Qualifications and conditions for eligible employee for stock option.
3. Number of total issued units of the employee stock warrants, number of shares each unit represents, total number of new shares to be issued in connection with exercise of stock options, or the number of shares for shares buy-back as required per Article 28-2 of the Act.
4. Criteria for setting the terms and conditions for exercising stock option (including exercise price, exercise period, class of shares with which to exercise stock option, measures to be taken in the event of inheritance/employee resignation, etc.).
5. Performance of contract: by either issuance of new shares or delivery of already issued shares by an exchange-listed or OTC-listed company. However, for emerging stocks or stocks that are neither listed on an exchange nor traded in the business places of securities firms, performance of contract shall be by issuance of new shares.
6. Adjustment of exercise price.
7. Upon capitalization of retained earnings or capitalization of capital reserves, additional employee stock warrants may be issued or the number of shares subscribable may be adjusted; however, this shall apply only where the articles of incorporation at the time of subscription expressly provide that there is a sufficient number of shares to be made available for subscription.
8. Procedure for exercising stock option.
9. Rights and obligations after exercising stock option.
10. Other important stipulations.

The issue period as referred to in subparagraph 1 of the preceding paragraph shall be not more than 1 year starting from the date of receipt of the notice of effective registration. In case where there are remaining units to be issued after the issue period expires, the issuer shall submit a new registration filing.

Any change in any subparagraph of paragraph 1 shall be made only after being approved by the majority votes in a meeting of Board of Directors at

which two-thirds or more directors are present.

In case of any change in any subparagraph under paragraph 1, the issuer shall submit as supplementary documents the minutes of the meeting of the Board of Directors as well as relevant materials after the amendment, and paragraph 2 of Article 12 shall apply mutatis mutandis.

Article 56-1

To issue employee stock warrants that are not subject to the exercise price restriction set out in Article 53, an issuer is required to obtain the consent of at least two-thirds of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares. The issuer is allowed to register multiple issues over a period of 1 year from the date of the shareholders resolution [provided that the combined number of subscribable shares does not exceed the number approved by the shareholders].

To conduct the matter under the preceding paragraph, the issuer shall be required to specify the following information in the notice of reasons for convening the shareholders meeting, and may not raise the matter by means of an extraordinary motion:

1.The total number of employee stock warrants to be issued, the number of shares subscribable per stock warrant, and the number of new shares that will have to be issued to cover exercise of the warrants or the number of shares that will have to be repurchased in accordance with the provisions of Article 28-2 of the Act.

2.The criteria for determination of the exercise price, and the reasonableness of the price.

3.Qualification requirements for warrant subscribers, and the number of shares they are allowed to subscribe for.

4.The reasons why it is necessary to issue the employee stock warrants.

5.Factors affecting shareholders' equity:

A.The expensable amount, and dilution of the company's earnings per share.

B.Where previously issued shares will be used to cover the warrants, explain what financial burden this will impose on the company.

Matters required by paragraph 1 to be submitted for resolution at a shareholders meeting shall be set out in the company's articles of incorporation.

Article 57

An issuer registering issuance of employee stock warrants shall, after the reporting to the FSC has taken effect, on the day next following the arrival of the notification of effective registration, make public announcement for the main content of the requirements for issuance and subscription. If performance of contract is conducted by means of issuance of new shares, any possible dilution of the shareholders' equity shall also be publicly announced.

An issuer registering issuance of employee stock warrants shall, after the registration has become effective, input the status of the issuance into the website specified by the FSC for reporting of information on the day following the issuance or the expiry of the issuance period.

For an issuer registering issuance of employee stock warrants, where the issuer executes its contractual obligations using already issued shares, once the registration with the FSC has become effective, the issuer shall,

within 2 days of a directors' meeting resolving that the company shall repurchase its own shares for use as employee stock warrants as part of the execution of its contraction obligations, publicly announce the cost of the shares which it anticipates to obtain, the difference between the price of the employee stock warrants and the company's cost of obtaining the shares, and any effects on shareholders' equity.

Any change in the main content regarding the terms and conditions of the issuance as referred in paragraph 1 shall be made only after being approved by the majority votes in a meeting of Board of Directors at which two-thirds or more directors are present, and public announcement shall be made after the minutes of the meeting of the Board of Director and relevant materials regarding the amendment have been submitted to the FSC for recordation.

Article 58

When executing its obligations regarding stock warrants, the issuer is not subject to Article 140 of the Company Act providing that the execution price of the stocks may not be lower than the par value.

Article 59

When a holder of employee stock warrants requests for exercising of stock option, the holder shall fill out an exercise request form and submit it to the issuer or its agent. After receiving the said request and collecting full payment for the stocks, in the case of exercise with already issued shares, the issuer or its agent shall deliver the stocks on the next business day; in the case of exercise by issuing new shares, the issuer or its agent shall enter the name of the holder into the shareholder register and deliver the new stocks or the certificates of payment for exercise of the stock option to the holder within 5 business days.

The aforesaid stocks or the certificates of payment for exercise of the stock option issued by an exchange-listed, OTC-listed, or emerging stock company in accordance with the preceding paragraph may be traded in the stock exchange market or in the business places of securities firms from the day of delivery to shareholders.

An issuer delivering stocks pursuant to the paragraph 1 shall announce the number of newly-issued additional shares in the preceding quarter within 15 days after the end of that quarter.

For new stocks issued in accordance with paragraph 1, the year, month, and day of the FSC notice of effectiveness may be taken as the year, month, and day of incorporation or amendment of registration for issuance of new shares set forth in Article 162, paragraph 1, subparagraph 2 of the Company Act. After the issuance of new shares, the issuer shall also apply to the competent authority governing company registration at least once per quarter to amend registration of paid-in capital, attaching the original FSC letter of approval for issuance of employee stock option certificates. For issuance of certificates of payment for the exercise of stock warrants in accordance with paragraph 1, the issuer shall, before the end of each fiscal year, present the consent letter from the FSC which previously approved the issuance of employee stock warrants and photocopy of the certificates of payment for exercise of the stock option, and apply to the competent authority in charge of the corporate registration to register the change in its capital, as well as issuance of new shares.

Article 60

Except in case where physical certificate is not printed, before the formal delivery of certificates of payment for the exercise of stock warrants, the said certificate shall be certified by the certifying organization in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies.

Article 60-1

The term "new restricted employee shares" as used in these Regulations means new shares issued by an issuer for employees pursuant to Article 267, paragraph 8 of the Company Act, with vesting conditions such as service-based conditions or performance-based conditions attached, under which the rights in the shares are restricted until the vesting conditions are met. With respect to new restricted employee shares issued by an issuer pursuant to Article 267, paragraph 8 of the Company Act and to these Regulations, when employees fail to meet the vesting conditions, the issuer may redeem or buy back the already-issued new restricted employee shares in accordance with the terms of the issuance rules, and is exempted from the restriction of Article 167, paragraph 1 of the Company Act prohibiting the company from redeeming or buying back its shares.

New restricted employee shares that are bought back or redeemed under the preceding paragraph are deemed shares that have never been issued by the company, and the company shall apply for alteration of the corporate registration in respect of the shares accordingly.

Article 60-2

To file for registration of issuance of new restricted employee shares, an issuer shall be required to have a resolution adopted by a majority of the voting rights of the shareholders present at a meeting of shareholders representing two-thirds or more of the total number of issued shares of the company. The issuer is allowed to register multiple issues over a period of 1 year from the date of the shareholders resolution [provided that the combined number of subscribable shares registered does not exceed the number approved by the shareholders meeting].

If the total number of shares represented by the shareholders present is insufficient to satisfy the requirements of the preceding paragraph, the resolution may be adopted by two-thirds of the voting rights of the shareholders present at a meeting of shareholders representing a majority of the total number of issued shares of the company.

To conduct the matters under the preceding two paragraphs, the issuer shall be required to specify the following information in the notice of reasons for convening the shareholders meeting, and may not raise the matters by means of an extraordinary motion:

- 1.The total number of shares to be issued.
- 2.The terms and conditions of issuance.
- 3.Qualifications and conditions for employees and the numbers of shares distributable or subscribable.
- 4.The reasons why it is necessary to issue the new restricted employee shares.
- 5.The expensable amount, the dilution of the company's earnings per share, and any other impact on shareholders equity.

Article 60-3

To issue new restricted employee shares, the issuer shall submit the Registration Statement for Issuance of New Restricted Employee Shares (Attachment 22-1), provide all the information required therein, along with the required documents, to the FSC, and may proceed with the issue only after the registration with the FSC becomes effective.

A registration filed in accordance with the preceding paragraph shall become effective 7 business days after the day the Registration Statement for Issuance of New Restricted Employee Shares is received by the FSC and the FSC-designated institutions, and the provisions of Article 12, paragraph 2, and Articles 15 and 16 shall apply mutatis mutandis. However, the waiting period for effective registration shall be 12 days for financial holding, banking, bill finance, credit card, or insurance enterprises.

Article 60-4

An issuer registering the issuance of new restricted employee shares shall specify the following particulars in the issuance rules:

- 1.The terms and conditions of issuance (including the issue price, vesting conditions, class of issued shares, and measures to be taken when employees fail to meet the vesting conditions or in the event of inheritance).
- 2.Total amount of the issue.
- 3.Qualifications and conditions for employees.
- 4.Following distribution or subscription, the rights that are subject to restriction until vesting conditions are met.
- 5.Other important stipulations (including custodial trust of the shares).

With respect to registration for the issuance of new restricted employee shares under the preceding paragraph, if 1 year has passed from the date of receipt of the notice of effective registration and it remains necessary to issue remaining shares not yet issued, a new registration filing shall be submitted.

Article 60-5

The issue price of new restricted employee shares is not subject to the restriction in Article 140 of the Company Act prohibiting a stock issue price lower than par value, and new restricted employee shares may be distributed gratuitously.

Article 60-6

(deleted)

Article 60-7

When the FSC grants effective registration for an issuer registering the issuance of new restricted employee shares, the issuer shall, on the day following the day of receipt of the effective registration, publicly announce the main content of the issuance rules, and shall simultaneously announce any possible dilution of shareholders' equity.

After the registration has become effective for the issuer's issuance of new restricted employee shares, the issuer shall, on the day following the date of issuance of the shares, input the status of the issuance into the website specified by the FSC for reporting of information.

After issuing the new restricted employee shares, the issuer shall, on the day following the time that the employees meet the vesting conditions, input the status of the lifting of the restrictions on the new restricted employee shares into the website specified by the FSC for reporting of

information.

If an issuer redeems or buys back already-issued new restricted employee shares pursuant to Article 60-1, paragraph 2, it shall, on the day following the redemption or buyback of the shares, input the status of the redemption or buyback into the website specified by the FSC for reporting of information.

Article 60-8

The number of shares subscribable through employee stock warrants registered for issuance by an issuer under Article 56-1, paragraph 1 and the total number of shares subscribable through employee stock warrants issued and outstanding from all previous issues thereunder, in combination with the total of the new restricted employee shares registered for issuance under Article 60-2 and all new restricted employee shares issued in all previous issues and for which the vesting conditions have not yet been met, may not exceed 5 percent of the total number of the issuer's issued shares. And the above in combination with the number of shares subscribable through employee stock warrants registered for issuance by an issuer under Article 56, paragraph 1 and the total number of shares subscribable through employee stock warrants issued and outstanding from all previous issues thereunder may not exceed 15 percent of the total number of the issuer's issued shares.

Article 60-9

Where an issuer issues employee stock warrants under Article 56-1, paragraph 1, the cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new restricted employee shares obtained by the single warrant holder, may not exceed 0.3 percent of the issuer's total issued shares. And the above in combination with the cumulative number of shares subscribable by the single warrant holder of employee stock warrants issued by an issuer under Article 56, paragraph 1, may not exceed 1 percent of the issuer's total issued shares.

Chapter V Secondary Distributions

Article 61

In the event the holder of securities conducts a secondary distribution to unspecified persons in accordance with paragraph 3 of Article 22 of the Act, it shall submit the Registration Statement for Secondary Distribution of Securities (Attachment 23), provide all information required therein, along with required documents to the FSC. The said holder can proceed with the secondary distribution only after the registration with the FSC becomes effective.

In the event a holder intends to register with the FSC for a secondary distribution to unspecified persons of securities that were not publicly issued in accordance with the Act, the holder shall request the issuer of the securities to file retroactively with the FSC for a review of its public issuance. Before the registration with the FSC becomes effective, the holder cannot proceed with the secondary distribution.

In the event a holder of securities registers in accordance with paragraph 1, such registration will become effective 7 business days after the receipt of the Registration Statement for Secondary Distribution of Securities by the FSC and FSC-designated institutions, and the provisions

of paragraph 2 of Article 12, and Articles 15 and 16 shall apply mutatis mutandis.

The provisions of paragraphs 1 and 2 may not apply to an auction or sale procedure conducted in accordance with laws.

Article 62

When registering to conduct a secondary distribution, the holder of the securities shall submit a secondary distribution prospectus containing the following information:

- 1.The motive and purpose of the secondary distribution.
- 2.The calculation formula for the secondary distribution price, and an explanation thereof.
- 3.The evaluation report made by the underwriter.

Article 63

When the holder of emerging stocks, shares not listed on a stock exchange, or shares that are not traded in the business places of securities firms, registers a secondary distribution of the said stocks to unspecified persons, the FSC may reject the registration if any of the following circumstances obtains:

- 1.Less than 3 years have elapsed since the incorporation registration of the issuer of the stocks.
- 2.Both the final operating income and pre-tax income as ratios of the equity attributable to owners of the parent as reported in the issuer's financial reports fail to meet any of the below conditions. However, the profitability as reported in the financial reports does not take into account the effects on the issuer brought about by the net profit (or net loss) attributable to its non-controlling interests.
 - A.The said ratios for the most recent fiscal year reach 2 percent or more, and the issuer has no accumulated losses for the most recent accounting period.
 - B.The said ratios for the most recent 2 fiscal years reach 1 percent or more.
 - C.The average of the said ratios for the most recent 2 fiscal years reaches 1 percent or more, and the profitability of the issuer for the most recent fiscal year is more favorable than that for the previous fiscal year.
- 3.The net asset value of the shares issued by the issuer in the most recent year is lower than its par value, or the net worth before distribution does not reach one-third of total assets.
- 4.Where the FSC otherwise deems the secondary distribution to unspecified persons inappropriate.

Article 64

After the securities holders' registration with the FSC for a secondary distribution in accordance with Article 61 becomes effective, in addition to the requirement that listed or OTC stocks shall be sold by the underwriter, the holders shall request the underwriter to conduct firm commitment underwriting. Additionally, to comply with paragraph 2 of Article 71 of the Act, it shall be prescribed in the underwriting agreement that more than 50 percent of the stocks subject to the underwriting shall be subscribed by the underwriter. However, if its share transfer plan for the next 3 years has been approved by the competent authority in charge of the enterprise and such authority has produced an opinion that its

accounting system is sound, it can be exempted from the aforementioned percentage requirement regarding subscription by the underwriter. The underwriter shall explain the method and basis for the pricing of the secondary distribution.

Article 65

When selling the securities it is underwriting, the underwriter shall deliver a secondary distribution prospectus on behalf of the holders of the said securities.

Chapter VI Retroactive Handling of Public Issuance Procedures

Article 66

In the event that the issuer conducts initial public offering in accordance with paragraph 1 of Article 42 of the Act and paragraph 3 of Article 156 of the Company Act, it shall submit the registration statement (Attachment 24) to the FSC, providing the necessary information and annexing the relevant documents such as the stock issue prospectus. The registration will become effective 12 business days after the receipt of the registration statement by the FSC and FSC-designated institutions.

The Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses and the Regulations Governing Information to be Published in Financial Institution Prospectuses for Offering and Issuance of Securities shall apply mutatis mutandis to the information to be provided in the stock issue prospectus under the preceding paragraph.

Article 5, paragraph 2 of Article 12, Article 15, and Article 16 shall apply mutatis mutandis to submission of the registration statement under paragraph 1.

If, after effective registration for initial public offering under paragraph 1, any circumstance set forth in Article 11, paragraph 1, subparagraph 3, 4, or 6 is discovered to exist, the FSC may revoke or void the effective registration.

A company conducting an initial public offering of stock under paragraph 1 shall concomitantly conduct an initial public offering of employee stock option certificates previously issued under Article 167-2 of the Company Act.

A company conducting an initial public offering of stock under paragraph 1 may concomitantly conduct an initial public offering of ordinary corporate bonds previously privately placed under Article 248 of the Company Act, after 3 years have elapsed from the delivery date of the privately placed ordinary corporate bonds.

If a company that has publicly issued stock under the Act does not continue to publicly issue stock, any securities that it has privately placed under Article 43-6 of the Act are not eligible to be included together with its stock under an application to the FSC for initial public offering until 3 years have elapsed from the delivery date of the privately placed securities.

Article 67

In any of the following circumstances, the FSC may reject an application for approval of an initial public offering filed under Article 42, paragraph 1 of the Act or Article 156, paragraph 3 of the Company Act:

1. The attesting CPA issues an adverse opinion or disclaimer of opinion in the audit report.

- 2.The attesting CPA issues a qualified opinion in the audit report, and such qualified opinion has an impact on the fairness of presentation of the financial reports.
- 3.The Application Review Forms prepared by the issuer and reviewed by the attesting CPA reveal any violation of laws or regulations or the articles of incorporation, where the violation is serious.
- 4.The applicant has failed to institute an internal control system including and adopt internal audit implementation rules and have them passed by the board of directors pursuant to the Regulations Governing Establishment of Internal Control Systems by Public Companies.
- 5.Any of the following circumstances arise in the CPA project audit of the efficacy of the internal control system design or implementation:
 - A.The audited company fails to provide a Statement regarding the efficacy of the internal control system design or implementation.
 - B.The CPA report indicates material deficiencies in the design or implementation of the audited company's internal control system and failure to improve them, or the report is a disclaimer of opinion.
- 6.Employee stock option certificates have previously been issued under Article 167-2 of the Company Act, but a concomitant initial public offering is not conducted for the certificates along with that for the stock.
- 7.The FSC discovers a violation of laws or regulations, where the violation is serious.

Where conducting an initial public offering for privately placed ordinary corporate bonds under paragraph 6 of the preceding Article and 3 years have not elapsed since the delivery date of the privately placed ordinary corporate bonds, the FSC may reject the application.

Article 68

For the below-listed securities privately placed by a public company in accordance with laws and securities subsequently distributed, converted, or subscribed, the public company must arrange with the FSC for a public offering, at least 3 full years after the delivery date of the privately placed securities, before it may apply to the Stock Exchange or the GreTai Securities Market for listing or for trading at the places of business of securities firms:

- 1.Stocks privately placed under Article 43-6 of the Act and shares subsequently obtained as bonus shares thereof.
- 2.Ordinary corporate bonds privately placed in accordance with laws.
- 3.For employee stock option certificates privately placed under Article 43-6 of the Act, subsequently subscribed certificates of payment of shares, shares, and shares obtained as bonus shares thereof.
- 4.For preferred shares with warrants, corporate bonds with warrants, and convertible corporate bonds privately placed in accordance with Article 43-6 of the Act, the privately placed preferred stock with warrants, corporate bonds with warrants and convertible corporate bonds, and the subsequently subscribed certificates of payment for shares, certificates of entitlement to new shares from convertible bonds, shares, and shares obtained as bonus shares.
- 5.For private placement of overseas corporate bonds, overseas stocks, and participation in the private placement of overseas depositary receipts in accordance with Article 43-6 of the Act, the shares that obtained through

redemption, conversion, or subscription, or obtained as bonus shares. A filing for registration to conduct a public offering under the preceding paragraph shall be submitted to the FSC with a Registration Statement (Attachments 25 to 31) specifying all required information and with the required documents attached. The registration shall become effective 7 full business days after the Registration Statement is received by the FSC and FSC-designated institutions, and the provisions of Article 5, paragraph 2 of Article 12, Article 15, and Article 16 shall apply mutatis mutandis. However, the waiting period for effective registration is 12 business days in the case of a financial holding, banking, bill finance, credit card, or insurance enterprise.

If, after effective registration for public offering under paragraph 1, any circumstance set forth in Article 11, paragraph 1, subparagraphs 3 to 6 is discovered to exist, the FSC may revoke or void the effective registration.

Article 69

When an issuer files registration for the retroactive handling of public issuance procedures for privately placed securities, it shall submit a prospectus for the retroactive handling of public issuance procedures clearly recording the matters listed below:

1. Status of matters conducted in accordance with the Directions for Public Companies Conducting Private Placements of Securities.
2. Results of the implementation of the private placement plan for the securities.
3. Financial reports audited and certified by a CPA, and the CPA audit report, for the most recent fiscal year. Where the filing date falls after the deadline for public disclosure and filing of the financial report for a given quarter, the issuer shall additionally include the financial report for the most recent quarter, audited and certified or reviewed by a CPA, and the CPA audit or review report.
4. Other matters as required by the FSC.

Article 70

In any of the following circumstances, the FSC may reject a filing by a public company for registration to conduct cases set forth in Article 68:

1. Less than 3 years have elapsed since the delivery date of the privately placed securities.
2. A lawful resolution has not been adopted by a shareholders meeting or board of directors meeting in accordance with Article 43-6 of the Act. However, this restriction may not apply where a final judgment of guilty has been handed down, the full term of the sentence has been served, and post-approval of the shareholders meeting or board of directors has been submitted.
3. The places and their number do not comply with the provisions of Article 43-6 of the Act. However, this restriction may not apply where a final judgment of guilty has been handed down, the full term of the sentence has been served, and post-approval of the shareholders meeting or board of directors has been submitted.
4. A report is not submitted within 15 days to the competent authority for recordation in accordance with Article 43-6, paragraph 5 of the Act, or there is failure to input information regarding the private placement of securities into the information reporting website designated by the FSC in

accordance with the Directions for Public Companies Conducting Private Placements of Securities. However, this restriction may not apply where a sanction has duly been imposed and an administrative fine has been paid and the report has subsequently been submitted.

5. Prior to carrying out a private placement of securities, failure to enumerate and explain the relevant matters in the notice of reasons for convening of the shareholders meeting or the meeting notice the relevant matters in accordance with Article 43-6, paragraph 6, of the Act and the Directions for Public Companies Conducting Private Placements of Securities, or prior to carrying out multiple issues, failure to enumerate or explain in advance the relevant matters in the notice of reasons for convening of the shareholders meeting. However, this restriction shall not apply where a sanction has duly been imposed, an administrative fine has been paid, the required matters have been enumerated and explained in a notice of reasons for convening of a shareholders meeting, and the case has been approved at the shareholders meeting.

6. Failure to submit for resolution by the shareholders meeting the pricing basis and reasonableness of and related expert opinions on the private placement of securities in accordance with the Directions for Public Companies Conducting Private Placements of Securities, and the circumstances are serious, provided that this restriction shall not apply if the same have already subsequently been submitted and been approved by the shareholders meeting.

7. A subscription to the current private placement of securities by an insider or a related party of the issuing company fails to comply with the provisions under the Directions for Public Companies Conducting Private Placements of Securities, and the circumstances are serious. However, this restriction does not apply if a letter of approval issued by the Taiwan Stock Exchange or the GreTai Securities Market has been obtained.

8. When resolution for a private placement of securities is passed by a shareholders meeting of a company that had a net profit and no accumulated deficit in the preceding fiscal year, and the company fails to comply with the requirements of the Directions for Public Companies Conducting Private Placements of Securities, and the circumstances are serious in nature. However, this restriction does not apply if a letter of approval issued by the Taiwan Stock Exchange or the GreTai Securities Market has been obtained.

9. Failure to have the price of the shares or subscription paid up in full within the time period prescribed in the Directions for Public Companies Conducting Private Placements of Securities.

10. Implementation of the plan for the private placement of securities is seriously behind schedule without legitimate reason, and that plan has not been completed, has undergone a material change, or cannot yield reasonable results, provided that this restriction may not apply where more than 5 years has already elapsed from the date of payment for the privately placed securities to the time of filing.

11. Securities trading has been restricted under Article 139, paragraph 2 of the Act and the FSC has not yet lifted the restriction.

12. The attesting CPA issues a disclaimer of opinion or an adverse opinion in the audit report.

13.The attesting CPA issues a qualified opinion in the audit report, where such qualified opinion would affect the fair presentation of the financial reports.

14.The Application Review Forms prepared by the issuer and reviewed and issued by the attesting CPA reveal any violation of laws or regulations or the company's articles of incorporation, where the violation is serious.

15.Less than 3 full years have elapsed since delivery of privately placed convertible corporate bonds there has been an exercise of conversion rights.

16.The FSC discovers any violation of laws or regulations, where the violation is serious.

Article 71

A public company that has obtained FSC approval for public issuance of securities that it previously had duly privately placed shall reissue the securities within 30 days from the date upon which it receives FSC notification of effective registration, and shall make a public announcement on the information reporting website designated by the FSC prior to carrying out the reissuance.

Where for the subject securities of retroactive handling of public issuance procedures referred to in the preceding paragraph, an application is subsequently filed with a securities exchange or the GreTai Securities Market for listing or OTC trading, the securities shall be delivered by book-entry transfer in scripless form, and need not be certified pursuant to the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies.

Chapter VII Distribution of Bonus Shares and Capital Reductions

Article 72

To issue bonus shares or carry out a capital reduction, a public company shall submit for registration to the FSC a registration statement, (Attachments 32 and 33) specifying all required particulars, and the required documents.

Where an exchange-listed or OTC-listed company files to register a capital reduction, the registration shall become effective 12 business days from the date on which the FSC and FSC-designated institutions receive the registration statement for a new share issuance.

Registration by a public company for the cases listed below shall become effective 7 business days from the date upon which the FSC and FSC-designated institutions receive the registration statement for the issuance of new shares, provided that the effective registration period for a financial holding, bank, bills finance, credit card, or insurance enterprise shall be 12 business days.

1.Issuance of new bonus shares.

2.Capital reduction by an emerging stock company, or a company whose shares are neither listed on an exchange nor traded at the business places of securities firms.

The provisions of Article 5, paragraph 2 of Article 12, Article 15, and Article 16 shall apply mutatis mutandis to cases handled under paragraph 1. If, after effective registration, any circumstance in Article 11, paragraph 1, subparagraphs 3 to 6, the FSC may revoke or void the effective registration.

Article 72-1

When capital reserve is capitalized in accordance with Article 41, paragraph 2 of the Act, the combined amount of any portions capitalized in any 1 year in accordance with Article 241, paragraph 1, subparagraph 1 or 2 of the Company Act may not exceed 10 percent of paid-in capital. However, where a company undergoes an organizational change (such as a merger, acquisition, or reorganization) that results in the capitalization of undistributed earnings after the organizational change, this restriction does not apply.

An amount transferred to capital reserve in accordance with Article 241, paragraph 1, subparagraph 1 of the Company Act may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital reserve.

Article 73

In any of the following circumstances, the FSC may reject a filing for issuance of bonus shares or capital reduction by a public company:

1. The attesting CPA issues an adverse opinion or disclaimer of opinion in the audit report.
2. The attesting CPA issues a qualified opinion in the audit report, and such qualified opinion has an impact on the fairness of presentation of the financial reports.
3. The Application Review Forms prepared by the issuer and reviewed by the attesting CPA reveal any violation of laws or regulations or the articles of incorporation, where the violation is serious.
4. Any of the following circumstances exist with respect to a report of capitalization of earnings:
 - A. The balance after statutory allocation of special reserves from undistributed earnings in accordance with paragraph 1 of Article 41 of the Act is inadequate for distribution.
 - B. The exchange-listed or OTC-listed company fails to prescribe a concrete dividend policy in the articles of incorporation.
 - C. In the current capitalization of earnings that the listed or OTC company has reported, the entire amount of the capitalization is being accomplished through distribution of employee bonuses.
 - D. The total amount of an exchange-listed or OTC-listed company's employee bonuses exceeds 50 percent of the sum of the net income and employee bonuses for the current period, or 50 percent of distributable earnings (less legal reserve, special reserve, and balance of reserves after withdrawals).
 - E. Material failure by an exchange-listed, OTC-listed, or emerging stock company to establish a remuneration committee pursuant to paragraph 1 of Article 14-6 of the Act or material failure to comply with laws or regulations applicable thereto.
5. A capitalization of capital reserves has been reported, and one of the following circumstances exists:
 - A. Losses have been incurred in the most recent 2 consecutive years.
 - B. A provision in Article 72-1 has been violated.
6. Failure to adopt an electronic means as one of the methods for exercising voting power pursuant to Article the proviso to paragraph 1 of 177-1 of the

Company Act.

7. Violation of or failure to fulfill commitments made at the time of application for listing or trading at the business places of securities firms, where the circumstances are serious.

8. The FSC discovers any violation of laws or regulations, where the circumstances are serious.

9. Other circumstances as deemed necessary by the FSC to protect the public interest.

Article 74

A public company carrying out issuance of new bonus shares or capital reduction shall comply with the following provisions:

1. It shall comply with Article 273 of the Company Act within 30 days of delivery of the notification of effective registration.

2. Within 30 days of receiving the letter of approval of amendment registration for issuance of new shares from the Ministry of Economic Affairs, the company shall have the securities certified in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies, deliver the securities to the subscribers, and make a public announcement prior to the delivery. However, if physical securities are not printed, the requirement of certification in accordance with the Regulations Governing Certification of Corporate Stock and Bond Issues by Public Companies does not apply.

A public company that carries out issuance of bonus shares or capital reduction and makes delivery by the book-entry method shall comply with regulations pertaining to centralized securities depository enterprises, and need not print physical securities.

Article 75

For the purpose of registration for approval made in accordance with these Regulations, all required attachments shall be prepared in accordance with the forms prescribed and the attachments should be put in binders.

For the supplementary documents furnished in accordance with Articles 12, 16, 21, 22, 26, 27, 39, 55, 56, 61, 66, 68, and 72, the modified registration documents shall be put in binders pursuant to the forms required by the attachments. The cover of the binder shall indicate the documents being modified and the number of times of their modification. An index regarding the modifications made shall be prepared and put in front of the main table of contents of the registration documents. The parts subject to modification shall be underlined and noted. If the documents are written in vertical form, the underline mark shall be at the right side of the text while it shall be beneath the sentences if the documents are arranged horizontally.

When the issuer registers for offering and issuance of securities, retroactive handling of public issuance procedures, issuance of new bonus shares, or capital reduction, or when a holder of securities registers to conduct a secondary offering of such securities, it shall put the registration documents or supplements/modification into binders. In addition, at the time of registration or supplementation/modification, a copy of these documents shall be sent to the Stock Exchange, GreTai Securities Market, the Taiwan Securities Association, the Securities and Futures Institute, and any other organizations designated by the FSC for

the public's review.

Article 75-1

Article 3, paragraph 6, Article 8, Article 13, paragraph 1, subparagraph 2, item 6, Article 18, and Article 63, as amended on 17 September 2012, shall apply as follows:

1.To public companies with shares listed on a stock exchange or traded on the over-the-counter market, these provisions shall apply from the fiscal year of 2013.

2.To public companies with shares not listed on a stock exchange nor traded on the over-the-counter market, these provisions shall apply from the fiscal year of 2015. However, such companies may voluntarily apply these provisions from the fiscal year of 2013.

3.Public companies that do not follow either of the preceding two subparagraphs shall follow the provisions of these Regulations before the issuance and enforcement of the 17 September 2012 amendment.

Article 76

These Regulations shall be enforced from the date of issuance except for Articles 10 and 71 as amended 3 March 2006 (which were enforced from 1 July 2006), Article 56-1 as amended 6 March 2007 (which was enforced from 1 January 2008), and Article 72-1 as amended 9 November 2007 (the enforcement date of which shall be set by the competent authority).