

Corporate Governance in Taiwan

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Table of Content

1	Preface	1
2	Concept of Corporate Governance	1
2.1	Definition	1
2.2	Extent	2
2.3	Significance	2
3	Framework of Corporate Governance in Taiwan	3
3.1	Regulatory Scheme	3
3.2	Regulatory Device	3
3.3	Characteristics of Corporate Governance in Taiwan	3
3.3.1	Taiwan's Market Features	3
3.3.2	Trend of Separating Ownership and Control	5
3.3.3	Environment of Group Operation	5
3.3.4	Cross Shareholding Scenario	6
3.3.5	Development of Foreign Investment	7
3.3.6	Passive Role Play of Institutional Investor	7
3.4	Present Issue of Corporate Governance in Taiwan	9
4	Implementation of Corporation Governance	9
4.1	Board of Directors	9
4.1.1	Composition	9
4.1.2	Duties and Responsibilities	12
4.1.3	Mechanisms for Controlling Board	13
4.1.4	Database for Independent Members	14
4.1.5	Disclosure of Share Transactions by Directors and Controlling Shareholders	14
4.2	Supervisors and Audit Committee	16
4.2.1	Supervisors System	16
4.2.2	Audit Committee	19
4.3	Meeting of Shareholders	19
4.3.1	Shareholder Participation	20
4.3.2	Proxy Solicitation	22
4.3.3	Facilitate the Exercising of Shareholders' Right	23
4.3.4	Operation Mechanism of Shareholders' Meeting	23
4.4	Information Disclosure and Transparency	24
4.4.1	Dissemination of the Primary Market Information	24
4.4.2	Disclosure of the Secondary Market Information	25
4.4.3	Corporate Governance Disclosure in Annual Report	26
4.4.4	Disclosure of Affiliated Corporations	28

4.4.5	Public Disclosure System	29
4.4.6	Information Disclosure Rating System	29
4.4.7	Corporate Governance Framework Assessment System	30
4.5	Disgorgement against Insider’s Short-Swing Profit	30
5	The Role of FSC in Corporate Governance	31
5.1	No Cross-shareholding among Affiliated Corporations	31
5.2	Improving Transparency	32
5.2.1	Earlier Announcement of Annual Financial Reports	32
5.2.2	Amending the Regulations of Financial Forecasts	32
5.2.3	Information Disclosure Regarding Employee Bonuses	33
5.2.4	Disclosure of Stakes above 5%	33
5.2.5	Integrated Public Disclosure System	33
5.3	Improving Accounting System of Public Companies	34
5.3.1	CPAs’ due Diligence Responsibility	34
5.3.2	Set Aside Losses on Sale of Non-Performing Loans as Special Reserve	35
5.3.3	Accounting Principle of Employee Stock Option Plan	35
5.4	Improve Administrative Procedure of Tender Offer	35
5.5	Introducing More Institutional Investors to Engage the Corporate Governance	36
5.6	Orientations and Training of Directors and Supervisors	36
5.7	Enhancing Internal Control and Audit Systems of Public Companies	37
5.8	Encourage Companies to Implement Corporate Governance	37
5.9	Enact “Securities Investors and Futures Traders Protection Law”	38
5.10	The Investigation and Enforcement Power of Securities Authority	39

Appendix I Information Disclosure and Filing Requirements for Public Companies

Appendix II List of Short-Swing Profit Disgorgement Against Insiders

1 Preface

The concept, **corporate governance**, has been emerging since the early 1970's in response to the perceived lack of effective board oversight that contributed to the poor performance problems. In 1997 there were numbers of scandals and corruption within Asian financial markets that led to severe Asian financial crises. Inadequate corporate governance system has been concluded the major reason suffering the serious consequences on the Asian financial crises. The impact arising from Enron and Corporate America has now put the issue under a spotlight. Therefore, the attention to enhance corporate governance is being emphasized hence after. Furthermore, OECD, in its ministerial meeting as of 1998, also pointed out the lack of corporate governance has been one of the root causes of the recent Asian financial crisis.

The Asian financial crises provide lessons for Taiwan to esteem the importance of corporate governance. Knowing that inadequate corporate governance is identified as the key fact that Asian corporations could not build the competition in world financial markets, Taiwan securities regulator (Financial Supervisory Commission, or FSC) has tried its best to emphasize the importance of advocating corporate governance to public companies since 1998. It believes that greater transparency as to corporate governance is needed for enterprises to control risk. Securities and Futures Institute (SFI), founded as a quasi-public organization for research, training and protecting investors, together with Taiwan Stock Exchange (TSE), Taiwan's computerized over-the-counter market (known as GreTai Securities Market, GTSM), and Corporate Governance Association (CGA), introduce the system of independent directors, audit committee, etc. They also established and promoted "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" in Taiwan (detail contained on the website: <http://eng.selaw.com.tw/FLAWDAT01.asp?LSID=FL020553>). To strengthen the legal base in the field of corporate governance, Taiwan amended Company Law and Securities & Exchange Act. In the future, all said organizations will be continue to put their efforts in helping corporations by adopting best practice as infrastructure tools of corporate governance.

2. Concept of Corporate Governance

2.1 Definition

Corporate governance can be defined in several ways. Legal academics may view corporate governance as a vehicle of decision-making and power allocation among shareholders, managers and directors. Financial economists limit their attention on persuading or forcing companies to maximize shareholder value and stakeholders rewards as well. From the financial point of view, a fundamental concern of corporate governance is to ensure the means by which a firm's managers are held accountable to capital providers for responsibility of managing assets efficiently. Experts of the OECD have defined corporate governance as the system by which business corporations are directed and controlled. According to them the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it provides the structure through which the company objectives are set, and also provides the means of attaining those objectives and monitoring performance. Generally, corporate governance refers the structure and processes by which the company are directed and managed and the accountability of management is stressed, in order to protect shareholders' interest through enhancing corporate performance while taking into account the interests of other stakeholders.

2.2 Extent

One may define the extent of corporate governance either narrowly or broadly. In a narrow sense,

only managers, board directors, and shareholders are to be referred, however, it may include the “stakeholders” (i.e., customers, employees, creditors, and business associates) in a board sense.

2.3 Significance

The issue of corporate governance is currently inviting a widespread discussion in Taiwan. Partly reflects the issue of the major topic in the global financial market, partly refers to the importance for individual corporations to raise capital and to achieve sustainable growth.

Good corporate governance means interacting between shareholders and the market in a timely and transparent manner, monitoring of directors business conduct, establishing guidelines for Board, holding regular Board meetings, and setting remuneration levels of directors and key staffs. The benefits with establishing good corporate governance facilitate greater access to international capital markets and help enterprises to gain a higher premium while seeking outsiders’ investments. It is important for corporations to be successful in economic performance and to attract a long-term, stable, and low-cost investment. Briefly, sound corporate governance is the key element to culture the long-term development of enterprises. Corporation with poor governance will severely affect investor confidence and incur the negative operation. It stands true as to the firm of publicly traded, or privately held, including family-control.

As a result, corporation governance is now becoming an urgent need for countries and enterprises. Considering Taiwan’s entrance into the World Trade Organization, it is even demanding for Taiwan to adopt good corporate governance for catching up international practical standards and face the challenge of global markets.

3. Framework of Corporate Governance in Taiwan

3.1 Regulatory Scheme

The legal basis of corporate governance in Taiwan primarily arises from the application of Company Law (the full text can be read online at: <http://www.moea.gov.tw/%7Edoc/law/>), Securities & Exchange Act (hereinafter the Securities Law, the full text is available at: <http://www.selaw.com.tw>), and their related rules and regulations. The Company Law particularly binds rules to protect present and future shareholders and creditors. The Securities Law enhances the regulation of disclosure and transparency toward listed companies.

3.2 Regulatory Device

The basic regulatory model of corporation in Taiwan is a two-tier structure that consists of Board of director, Supervisor(s) and shareholders. Shareholders, as owners of the corporation, elect directors and supervisor(s) by Shareholder’s Meeting. The Board, holds discretionary powers from the delegation of shareholders, also performs the functions of management. Shareholders retain the power to reshuffle the director who abuses the delegate discretionary power that meant to maximize the shareholders interest. Supervisor monitors improprieties directors, also audit managerial execution of business activities.

The Amendment of Securities & Exchange Act on January 11, 2006 was made to the whereby an audit committee system was introduced as an alternative to the current statutory Supervisor.

3.3 Characteristics of Corporate Governance in Taiwan

3.3.1 Taiwan’s Market Features

Taiwan government had set up a securities regulator (SFC) and a stock exchange (TSE) in the early 1960s. The Securities Law was enacted in 1968. In line with the internationalization and liberalization of the securities market, the SFC has been directed to set up a specialized institute (known now as Securities and Futures Institute, SFI) to plan, design, and promote market related activities in 1984. A computerized over-the-counter (GTSM) was established in the early 1990s. In addition, the second board (known now as Emerging Market) was set up in 2002 to offer growing enterprises an avenue to raise capital.

In order to achieve the goal of consolidating financial supervision, the “Financial Supervisory Commission, Executive Yuan” (“FSC”, or Authority) was then be set up on July 1, 2004. Under the “Organic Act of Financial Supervisory Commission, Executive Yuan”, the FSC shall have nine commissioners, including one chairperson and two vice chairpersons. All commissioners are nominated by the Premier and appointed with the consent of the President. Under the FSC, they are 4 Bureaus: Bureau of Monetary Affairs, Securities and Futures Bureau, Insurance Bureau, and Examination Bureau. With the protection of tenure of office, the framing and promotion of the related policies will be more complete, and the future exercise of governmental authority will be more impartial and detached.

In addition, all commissioners are required to have professional education and experiences. The number of commissioners belonging to the same political party shall not exceed 1/3 of the total commissioners. All commissioners shall be non-partisan and shall not participate in the activities of any political party during their term of office so as to ensure independence of their functions within this Commission. In order to ensure the policies and supervising affairs could be exercised independently by this Commission, a “fund for financial supervision” has been established to deal with expenditures incurred by this Commission.

The TSE and GTSM are extremely liquid and volatile. Average annual turnover rates have surpassed 200% in recent years. At the end of 2006, there were 688 firms listed on the TSE, and the capitalization level of the TSE-listed companies was NT\$ 5,522.67 billion. Meanwhile, the number of GTSM-listed companies was 531, with a capitalization level of NT\$ 726.2 billion. In addition, there were still 673 public companies that were not yet listed on either the TSE or GTSM exchanges with a capitalization level of NT\$2,144.4 billion. In 2005, the ratio of market value of listed shares to GDP is about 140.25%. Electronics and high-tech companies represent one-third to half of the trading or market capitalization. Most listed companies are still family owned and controlled (albeit increasingly through holding companies), and the overwhelming majority investors in this market are individuals.

3.3.2 Trend of Separating Ownership and Control

Small- and medium-sized enterprises (SMEs) are the majority corporation style in Taiwan, constituting over 90% of total companies. The board members in SMEs tend to be family-related, which means companies in Taiwan do not have significant numbers of outside shareholders who are not members of the family or business associates. Important decisions are actually taken by the “family board”. Even when the company is growing bigger and goes public, family-control is still a dominant characteristic in large corporations. Mostly, the shareholding of listed companies is still under the control of the family. There are both advantage and disadvantage in family-controlled business. The advantage is having a strong leadership and cohesive management team formed by the family members. The disadvantage is companies, dominated by one businessman or one family, tend to grant the right of governance over the company for the benefit of their own interests and abusing minority shareholders.

As the transformation from traditional labor-intensive industries to high-tech companies since early 1980s, Taiwan has revealed a demanding trend towards separation of ownership and control. The major explanation is that high-tech companies need to share ownership with scientists, engineers and managers so as to stay competitive. At present Taiwan stock market, electronics and high-tech companies represent one-third to half of the trading or market capitalization.

3.3.3 Environment of Group Operation

Most businesses in Taiwan started from a primary industry and gradually diversified into other segments afterwards. Diversification would bring business expansion, efficiency, strategic alliance, and risk segregation for them. They may use cross-shareholding of affiliated companies to strengthen their control of listed companies. They may even obtain external financing through bank loans or capital markets. However, over-reliance on using stocks as collateral to leverage has created a hidden financial risk in a number of listed companies. When the stock price slumps, the borrowers are included to maintain the stock prices in order to avoid providing more stocks as collateral. Therefore, they have to use whatever sources available to do so. The worst situation is the business group owners even commit frauds to take corporate assets as a source. While the stock price continues to fall, the shields collapse. Then the delinquency occurred. The financial difficulties of many Taiwan enterprises in 1997-1998 are just the cases that demonstrate causality of imprudent and highly leveraged investment. These failures are mainly the result of inadequate corporate governance that related to misconduct or even fraud of owner/executive.

In January 2007, Reba Group file an application for reorganization to the court and raised investors' misdoubt, then induced customers' panic of its affiliated company, the Chinese Bank. In order to prevent a chain reaction, the FSC asked Resolution Trust Corporation (RTC) to takeover the Chinese Bank. TSEC and GTSM immediately announced the trading suspension for the listed companies of Rebar group. The major shareholder, Wang's family, used the benefit of the Section 27, Company Act that allow a company board member to appoint its owned mandatory, and controlled every board of its cross-shareholding company. On the one hand, with assistance of companies' certifying certified public accountants, Wang's family disguised their false trading and file misrepresentative statements to the FSC. On the other had, used insider trading to manipulate stock price. This case has been accused by prosecutors, and raised debate regarding affiliated company control power.

3.3.4 Cross Shareholding Scenario

Before 2001, there was no provision prohibiting cross shareholding between parent and subsidiary companies in Taiwan's Company Law; therefore, manipulation of the legal framework sometimes occurs. Subsidiary companies are set up as investment companies and buy a great deal of their parent companies' shares in the stock market. When the subsidiary companies are elected as directors or supervisors of the Board of parent companies, the individual directors or supervisors sell their holdings but remain on the Board and participate in decision making as representatives of the subsidiary companies. Moreover, the Company Law does not restrict different representatives of the same institutional shareholders from being elected director and supervisor irrespectively. Having the same institutional shareholder acting concurrently as director and supervisor greatly affects the fundamental function of supervisors. To avoid the manipulation of the legal framework, subordinate company shall not redeem or buy back any of controlling company shares, nor accept any of them as security under the 2001 amended company law. In 2005, an amendment was made to Company Law whereby a company shall have no voting power in respect of the share issued by itself and in its own possession (§ 179 Company Law). Furthermore, the amendment to the Securities & Exchange Act promulgated on

January 11, 2006 contained the provisions to strengthen the independence for director and supervisors. According to the new provisions, where institutional investors acts as a shareholder, Governmental or institutional investors may not assign representative be elected as a director or supervisor of the company at same time (§26-3 Securities & Exchange Act) .

3.3.5 Development of Foreign Investment

Foreign investment in portfolio or securities is more short-term oriented. Foreign direct investment usually has more long-term impact on economic development and brings in technology as well as employment to invested countries. Therefore, it is generally considered more beneficial to invite foreign direct investment than foreign investment in securities.

Taiwan opens its securities market for foreign investment in three stages. It first allows foreign investment in securities market through investment fund indirectly in 1982. Then, it opens the market for foreign institutional investors in 1990. In 1996, all foreign institutions and individuals are allowed to invest in Taiwan’s securities market. Meanwhile, due to growing production costs since mid-1980s and shortage of labor, Taiwan’s business started shifting some of its production facilities overseas. PRC and ASEAN countries are two primary regions for Taiwan’s foreign direct investment.

In order to achieve a higher standard of transparency, the Authority promulgates additional rules, which requires listed companies to disclose the information of their foreign investment and foreign direct investment in PRC.

3.3.6 Passive Role Player of Institutional Investor

Individual investors, constituting almost 80% of trading volume, are the major participants of Taiwan stock market. Conversely, institutional investor owns only a minor portion. Based on the **Table 1** below, Foreign Institutional Investors owns about 16.2%, domestic institutional investor holds 11.0 domestic individual stockowners holds 70.6%, and Foreign Individual Investors holds 2% in year 2006. The investment decisions of individual investors are generally superficial and easily affected by market sentiment, resulting in a high turnover rate in the market. Moreover, individual shareholders often waive their right to have a voice in company operations due to either their overly small shareholding or to less cohesiveness among the majority of the small shareholders. Consequently, the governing bodies of public companies have neglected the importance of strong corporate governance.

In addition, as institutional investors are restricted by regulations in terms of their shareholding limit or holding period, they play passive role in corporate governance. Although government has a policy to increase the role of institutional investors, which share of ownership is still limited and not able to promote corporate governance concept. Institutional investors in Taiwan play quite different role with that of other country. In the developed countries, such as US, UK, the institutional investors usually are those strong advocates for better corporate governance. They persist on higher standards of corporate governance in companies they invest. Some institutions even have set their own corporate governance standards as a measure for making their investment decisions.

Table 1: Type of Investors and Trading Value Ratio in the Centralized Market

Year	Domestic Institutional Investors	Foreign Institutional Investors	Domestic Individual Investors	Foreign Individual Investors
1992	3.6	0.3	96.1	0
1993	5.4	0.5	94.1	0
1994	5.8	0.7	93.5	0

1995	6.7	1.4	91.9	0
1996	8.6	2.1	89.3	0
1997	7.6	1.7	90.7	0
1998	8.6	1.6	89.7	0
1999	9.4	2.4	88.2	0
2000	10.3	3.6	86.1	0
2001	9.7	5.9	84.4	0
2002	10.1	6.7	82.3	0.9
2003	11.5	9.4	77.8	1.3
2004	11.6	10.9	75.9	1.6
2005	15.4	14.5	68.4	1.7
2006	11.0	16.2%	70.6	2.2%

*Source: Major Indicators of Securities & Futures Markets, Taiwan District, ROC, Securities & Futures Bureau, Financial Supervisory Commission, Executive Yuan, March, 2007.

3.4 Present Issue of Corporate Governance in Taiwan

Taiwan corporations have the features of family-controlled listed company, potential risk of cross-shareholding, and passive role players of institutional investor. Especially, family control demonstrates a dominant characteristic of large corporations in Taiwan. In many companies, the largest family holds more than half of the board seats. Thus, they have substantial control over decision-making and agendas in Shareholders Meetings. Under this structure, there is not sufficient check-and-balance mechanism in corporate board and top management. More precisely, if the owner/executive commits moral hazard to take advantage of the company, general stakeholders, or minority shareholder, there would be no effective control mechanism to prevent it from happening. Therefore, the bottom-line corporate governance issue for Taiwan today is to find solutions to avoid wrong doings of the manager that shirks responsibility or embezzles corporate assets for personal use.

In Taiwan, Board of directors and Supervisors are the important organs designed to hold managers accountable to capital providers for the misuse of firm assets. As the growth in the size of businesses, the separation of ownership from control is demanding in Taiwan. Separation of ownership and control is associated with professional management. The risk of management refers to the managers that may govern the corporation to their own interest rather than the interest of the corporation and shareholders/owners. The challenge to corporate governance needs to reduce professional managers' act for self-dealing.

4. Implementation of Corporation Governance

4.1 Board of Director

Under the OECD Principles of Corporate Governance, the corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management, and the board's accountability to the company and the shareholders. Taiwan fulfills these principles through the following regulations in company law and securities law.

4.1.1 Composition

4.1.1.1 Size of the Board

Board should be comprised of at least three directors who are elected by the shareholders' meeting from

among the persons with disposing capacity (§192 Company Law) . In the case of public companies, Boards should include at least five directors. (§17 Supplementing Rules to TSE Listing Rules) . The limitation that directors should be elected from among shareholders has been abolished in 2001 Company Law amendment. A company may elect standing directors from among the directors while the number of director has reached nine. During the recess of the board of directors, the standing directors shall regularly exercise the power and authority of the board of directors in accordance with laws and regulations, Articles of incorporation, and resolutions of the meeting of shareholders. (§208 Company Law)

Reforms have been undertaken to introduce the concept of the independent director. In 2002, the listing rules of TSE /GTSE have made amendment and every public company applying for listing should have at least two independent directors and one independent supervisor. And, at least one independent director must be an accounting or finance expert. Another reform was the amendment 2006 of the Securities & Exchange Act to encourage at least one-fifth of the Board's directors should be independent for all public companies. And also, the number of independent directors shall not be less than two. (§14-2 Securities & Exchange Act) .

4.1.1.2 Independence

I. Board Independence

To strengthen the board structure, the Amendment of Securities & Exchange Act on January 11, 2006 required that Board should have at least five directors, and less than one-half of Board members have an affiliation with limited exception (ex. with permission of authority). Affiliation exists between spouse and linear relatives by blood within the second degree of relationship. In addition, at least one director of the applicant company are not mutually related with any one supervisor in the relations listed above (§26-3 Securities & Exchange Act) .

Under the authorization of Section §14-2, Securities & Exchange Act, the FSC promulgated “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, and prescribes an independent director of a public company may not have been or be an employee or any affiliated person (i.e. Board member, executive officers) of the company or any of its affiliates. (Rule §3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”)

II. Independent Director Criteria

The Rule mentioned above also prescribes the criteria for an independent director candidate, candidates shall meet one of the following professional qualification requirements, and with at least five years work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university;
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.
- Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.

A person to whom any of the following circumstances applies may not serve as an independent director, or if already serving in such capacity, shall ipso facto be dismissed:

- Any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- Elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.
- Any violation of the independent director qualification requirements set out in these Regulations.

III. The Independency

According to Section 3 of the Rule, any of the following conditions falls on the part of persons in the last two years before the board member election or in service of his/her independent director term, he or she should not participate the independent director election or acting as an independent director.

- Being an employee of the company or its affiliated companies.
- Being a director, supervisor of the company or its affiliated companies, but being an independent director of the company is allowed to hold the same positions in its holding company and subsidiary.
- Directly or indirectly holding 1% or more of the total outstanding shares of the company, or being one of the top ten natural person shareholders of the company.
- Being a spouse or direct relation within the second degree of kinship of any of the persons in the preceding three subparagraphs.
- Being a director, supervisor, or employee of a juridical person shareholder that directly or indirectly holds 5% or more of the total outstanding shares of the applicant company or being a director, supervisor, or employee of one of the top five juridical person shareholders.
- Being a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has financial or operational interactions with the company.
- Being a professional, an independent contributor, a partner, or a company, or an executive director, partner, director, or manager of an institutional consortium or the spouse of same that provides financial, business, or legal or consulting services to the company or an affiliated enterprise of same.
- Concurrently serving as the independent director of a company shall not serve as the same position in four or more other enterprises.

Furthermore, where a person serving as independent director of the listed company, he or she has to receive at least three-hour training per year to acquire professional knowledge in the areas of law, finance, or accounting and obtain the relevant certification documents.

4.1.1.3 Board Nomination System

The Amendment of Company Law on June 22, 2005 introduces a nomination system for the directors of the board. Adoption of the public companies with Candidates of Board Nomination System under the revised Company Law is optional. Election of Supervisors is subject to the same nomination system. (§192-1, §216-1 Company Law).

To assure the election of independent directors preclude the interference from the management or major shareholders, the Rule requires independent directors election shall adopt the new candidate nomination system to allow the shareholders who hold at least 1% shares owns the nomination right besides the company.

4.1.2 Duties and Responsibilities

Company law in Taiwan grants directors the authority to exercise their power broadly. All matters may be decided by resolutions of the board of directors, unless this Law or Articles of incorporation

provide that certain matters shall be resolved at the meeting of shareholders. Besides, Board should operate on the basis of collective responsibility. While conducting business, the board of directors shall act in accordance with laws and regulations, the Articles of incorporation, and the resolutions of the shareholders meeting. (§193, §202 Company Law) Generally speaking, the Board is responsible for ensuring compliance with laws and regulations, as well as avoiding conflict of interest, and supervising the management performance. The board of directors should establish rules governing the procedures for special transactions, such as mergers, acquisitions and other capital transactions in the company. Taiwan's contains no explicit provision on directors' fiduciary duty but duty of care for years. In consequence, the misconduct cases happened in 1998-99 had been referred to criminal enforcement. Company law amendment 2001 makes it clear that any responsible person of a company, while conducting the business of the company, should act with duty of care and duty of loyalty. The director holds the legal liability if his act to company breach of trust (§23 Company Law) .

In addition, the January 2006 Amendment request companies adopt the rules for proceedings of board meetings to enhance the efficiency of Board (§26-3 Securities & Exchange Act). The Amendment also require the following matters should be carried out pursuant to a resolution of the board of directors (§14-3 Securities & Exchange Act).

- reviewing and assessing internal control processes under §14-1 Securities & Exchange Act
- disposition or transfer of material assets, borrowing a substantial amount, establishment under § 36-1 Securities & Exchange Act
- review directors/supervisors conflict of interest conflict of interest
- review transaction of material assets or derivatives
- review major borrowing, endorsement or guarantee
- review raise capital, issue or private placement of securities with the nature of equity shares
- appointment and discharge of internal auditor
- review and assessing the appointment, independence of external auditor
- review and assessing the appointment of directors of financial department, accounting department, and internal auditor
- review other relevant businesses approved by the Competent Authority

4.1.3 Mechanisms for Controlling Board

To avoid managerial abuse, there are some check-and-balance designs in Taiwan's Company Law and Securities & Exchange Act.

- **Request the Board to stop unlawful act.** When the board of directors in executing its business has violated law and regulations, or the Articles of incorporation, the supervisor or any shareholder who has continuously held his shares for a period of one year or longer shall immediately notify or may request the board to terminate such acts. (§194, §218-2 Company Law)
- **Discharge disqualified directors.** A director may, by a resolution adopted at a meeting of shareholders, be removed from office at any time. (§199, §200 Company Law)
- **Avoid conflict of interest.** While acting the same business with the company for himself or others, a director needs to secure the approval from the shareholders meeting. If he fail to do so, such earnings deriving above should be treated those of the company. (§209 Company Law)
- **Filing a lawsuit.** Shareholders who have continuously held 3% of shares for one year or longer may request a supervisor to file an action against a director for the company. If the supervisor fails to do so within thirty day, the shareholders may file an action himself for the company. (§212, §214 Company Law)
- **Limitation on self-trading.** When a director is engaged in a negotiation with the company on his own account or on behalf of others, the supervisor shall be the representative of the company. (§ 206, §223 Company Law)

4.1.4 Database for Independent Members

For the adoption of independent directors and independent supervisor, the SFI, at the request of SFC, has established “Database for independent directors and independent supervisors” (available at <http://www.sfi.org.tw/watch/main.asp>) . The qualifications to register in the database include both “independence” and “profession”. Therefore, public companies may select the right independent directors or supervisors either by themselves or by searching the database. Currently, the database holds about 250 qualified candidates’ information.

4.1.5 Disclosure of Share Transactions by Directors and Controlling Shareholders

Regarding insiders’ share transactions, the FSC requires all the public companies to follow up the following measures:

1. Pre-filing

According to Article 22-2 of the “Securities & Exchange Act”, the transfer of stocks by the directors, supervisors, managers, or shareholders holding more than 10% of the total shares of an issuer under this Act shall file an effective registration with the Competent Authority and on a centralized exchange market or an over-the-counter market. The calculation of shares held by shareholders mentioned above shall include those shares held under the names of their spouses, minor children and those held under the name of other parties.

2. Ex post facto filing

According to Article 25, Paragraph 2 of the “Securities & Exchange Act”, The stockholders referred to in the preceding Paragraph shall file, by the fifth day of each month, a report with the issuer of the changes in the number of shares they held during the preceding month. The issuer shall compile and file such report of changes with the Competent Authority by the fifteenth day of each month.

3. Pledge contract filing

According to Article 25, Paragraph 4 of the “Securities & Exchange Act”, when the shares referred to in the first Paragraph hereof are pledged, the pledgor shall make immediate notification to the issuer; the issuer shall inform the Competent Authority of such pledges within five days of their formation, and publicly announce such pledge.

Moreover, Article 18 and 19 of the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies” requires a controlling shareholder of any TSEC/ GTSM listed company shall comply with the following provisions:

1. Shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the company to be engaged in transactions at other than arm's length or involved in a management conduct for illegal profit.
2. Shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders' meeting, the representative shall exercise his/her voting right for the best interest of all shareholders and in good faith and exercise the fiduciary duty and duty of care of a director or supervisor.
3. Shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors or supervisors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. Shall not improperly intervene on corporate policymaking or obstruct corporate management activities.
5. Shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.

A TSEC/GTSM listed company shall ensure the command at any time of information on the identity of major shareholders, who own a higher percentage of shares and have an actual control over the company, and its ultimate control persons. The major shareholder indicated in the first paragraph refers to those who owns five percent or more of the outstanding shares of the company or the shareholding stake thereof is on the top ten list, provided however that the company may set up a lower shareholding threshold according to the actual shareholding stake that may control the company.

4.2 Supervisors and Audit Committee

The January 2006 Amendment of Securities & Exchange Act provides an alternative system that replaces Supervisors with audit committee system. Therefore, there will be two types of corporate governance legal framework for public companies in Taiwan: a Supervisor system consisting of general meeting of shareholder, the board of directors, Supervisor, and a audit committee system consisting of general meeting of shareholder, the board of directors, and audit committee. The selection is left to individual companies with limited exception.

4.2.1 Supervisor System

4.2.1.1 Composition

I. Number

According to Article 216 of Company Law, at least one supervisor shall have a domicile within the territory of the Republic of China. The number of supervisors should be not less than two in public companies. TSE listed companies' supervisors should include at least three members who lack significant family and business relationships with directors.

II. Criteria

Before the 2001 amendment to the Company Law, supervisor was elected from the shareholders. The amendment in 2001 has abolished the limitation. Supervisors in Taiwan are responsible for monitoring directors and management. Independence is a determinate factor for them to play their roles effectively. Therefore, a supervisor shall not concurrently be the director, manager, or employee of the company. (§222 Company Law) . Supervisors in public company should include at least three members who lack significant family and business relationships with directors. If more than two-third of them have affiliation, there would be lack of independence. Affiliation exists between (1) Spouse; (2) Linear relatives by blood within the third degree of relationship; (3) Collateral relatives within the fourth degree of relationships; (4) The representatives of the same juristic person; or (5) affiliates. (§ 9(12) TSE Listing Rules, §17 Supplementing Rules to TSE Listing Rules) .

The amendment to the Securities and Exchange Act promulgated on January 11, 2006 contained two provisions to strengthen the independence for supervisors. One relates to limit the application of Article 27 of Company Law, which authorized the institutional investors to assign representative be elected as a director or supervisor of the company at same time where institutional investors acts as a shareholder. The other is not an “affiliate” between supervisors or “supervisor and director”. Affiliation exists between (1) Spouse; (2) Linear relatives by blood within the second degree of relationship. At least one supervisor of the applicant company are not mutually related with any one director or supervisors in the relations listed above (§26-3 Securities and Exchange Act)

4.2.1.2 Duties and Responsibilities

The functions of Supervisors in Taiwan equivalent to the Audit Committee of that in the United States. They should provide an important internal mechanism for holding directors and management accountable. Thus, supervisors fulfill their duties by providing an independent and objective review of the financial reporting process, internal controls and the audit function. Supervisors in Taiwan can wield significant oversight power and are potentially powerful.

- **Individually exercise duties.** Supervisors may exercise their duties individually (§221 Company Law) in the following matters:(1) Supervisors shall make a thorough investigation into the application of the company (§146 Company Law); (2) A supervisor may at any time investigate the business and financial condition of the company, examine books (§218 Company Law); (3) A supervisor shall check and investigate all statements and records (§219 Company Law); (4) A supervisor shall immediately notify the board to terminate improper business. (§218-2 Company Law); (5) Check the property where the company issues new shares (§274 Company Law); (6) Examination the balance sheet and inventory the liquidator sends (§326 Company Law); (7) Examination all statements and records of accounts the liquidator sends (§331 Company Law) .
- **Act on behalf of the company.** The supervisor shall act on behalf of the company, such as in case of a lawsuit between the company and a director. (§213, §214 , §218 , §219 , §418 Company Law)
- **Convene shareholders meeting.** A supervisor may, when deemed necessary or was ordered by the court, convene a meeting of shareholders. (§214, §245 Company Law)
- **Attendance of Supervisors in the Board of Directors.** (§218, §218-2 Company Law)

4.2.1.3 Mechanisms for Supervisors

There are some check-and-balance designs in Taiwan's Company Law to make sure a supervisor execute his/her duties faithfully.

- **File a lawsuit against supervisor.** The meeting of shareholders may resolve to file a lawsuit against supervisor. (§225, §227 Company Law)
- **Discharge disqualified supervisor.** While performing his duties, if supervisor has done any act causing great loss or damage to the company, or any act in serious violation of law and regulations or the Articles of incorporation, a shareholder that satisfies shareholding requirement may file a suit. (§200 Company Law)
- **Joint liability.** A supervisor shall be liable to compensate the company for any loss or damage resulting from negligence in performing his duty of supervision. If a supervisor is liable to compensate the company or a third party and a director is also liable, such supervisor and director shall be a joint creditor. (§8, §23, §224, §226 Company Law)
- **Shareholding requirement.** The FSC required the supervisor of public companies to hold certain amount of the company's stock, and to disclose ownership information of supervisor, including shareholding percentage of supervisor and change of supervisor's share holding. (§26 Securities & Exchange Act)

The Company Law allows institutional or government shareholders to appoint their representatives as directors and supervisors, and this inherent conflict of interests essentially against the rules that a supervisor shall not concurrently be the director of the company. The affiliation between Supervisor and major shareholders has also weakened their functions. Besides, the duties and responsibilities are really burdensome for an inexperienced one to handle. Therefore, to increase independent outside supervisor should be an improvement to upgrade the corporate governance environment.

4.2.2 Audit committee

4.2.2.1 Composition of Audit Committee

The January 2006 amendment of Securities & Exchange Act required that the audit committee should comprise at least three members, which included all independent directors. The members of the Committee should designate a Chair. In addition, at least one member of the committee should be an accounting or finance expertise (§14-4 Securities & Exchange Act) .

4.2.2.2 Responsibilities of Audit Committee

- assigned responsibilities of supervisors in Securities and Exchange Act, company law, and other related laws (§14-4 Securities & Exchange Act) .
- The regulations for supervisors in the case of representing the company are also binding the independent director of audit committee (§14-4 Securities & Exchange Act) .
- Review internal control, financial report and assigned responsibilities of independent director in Securities & Exchange Act (§14-5 Securities & Exchange Act) .

4.2.2.3 Rules of Procedure

A majority of the members of Audit Committee shall constitute a quorum to transact business. The items having the major effect in the company's finance and business should decide by majority vote of the full Audit Committee member and also approve by Board Resolution. The major effect items may also approve by two-third vote of the full Board members without the majority vote of the full Audit Committee members (§14-5 Securities & Exchange Act) . The FSC has announced "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" to implement the audit committee responsibilities requirement under Article 14-5 of Securities and Exchange Act.

4.3 Meeting of Shareholders

Under the OECD Principles of Corporate Governance, the corporate governance framework should protect shareholders' rights, and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. Taiwan fulfills these principles through the following regulations in the company law and securities laws.

4.3.1 Shareholder Participation

As the owner of the corporations, the corporation performance affects the investors directly. Under the company law, investors in Taiwan may exercise the rights to play an important role in corporate governance as following:

- **Voting right to elect and discharge directors and Supervisors.** The shareholder shall elect and discharge directors and supervisors by voting in the meeting of shareholders. (§192, §199, § 216 Company Law)
- **Shareholder Proposal** (§172-1 Company Law)
- **Determine the remuneration.** The remuneration of directors and Supervisor shall be determined by a meeting of shareholders (§192, §196, §227 Company Law)
- **Modify or alter Articles of incorporation.** A firm shall not modify or alter its articles of incorporation without a resolution adopted at a meeting of shareholders. (§277 Company Law)
- **Approval for material transaction.** A company shall not do any of the following acts without a majority votes resolution adopted by shareholders meeting: (1) Enter into, amend, or terminate

any contract for lease of the company's business in whole, or entrusting others to operate the business, or for regular joint operation with others. (2) Transfer the whole or any essential part of its business or assets. (3) Accept the transfer of another's whole business or assets, which has great effect on the business operation of the company. (§185 Company Law)

- **Free of transferring stock.** The transfer of shares of a company shall not be prohibited or restricted by its articles of incorporation. Thus, if the performance of company is poor, the shareholder may sell his stocks as a way to express his dissatisfaction (§163 Company Law)

4.3.1.1 Shareholder Proposal

In order to increase the level of participation by shareholders in company affairs, the 2005 amendment of company law now gives the shareholders the right to submit a proposed matter for consideration during the annual general meeting of shareholders, provided that the proposing shareholders shall have been a shareholder of record of at least 1% of the total shares of the company and such a matter is one that can be resolved by a meeting of the shareholders (§172-1 Company Law) .

Article 6 of the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies” requires the board of directors of a TSEC/GTSM listed company shall properly arrange the proposals and agenda of shareholders' meetings. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements. Moreover, shareholders' meetings that are convened by the board of directors, a majority of the directors to attend the meeting in person would be advisable.

4.3.1.2 Vote Liberal

As a result of the 2005 company law amendment, companies may now allow new methods for the shareholder to cast their votes, i.e., by writing or e-vote under the regulations of Electronic Signature Law to facilitate the personal exercising of shareholders' voting rights. The voting methods should be described in the notice of Shareholder Meeting. (§177-1, §177-2 Company Law) ,

4.3.1.3 Derivative lawsuit

Derivative lawsuit is an important vehicle for minority shareholders to monitor the conduct of management. However, the absence of class-action lawsuits and rigid regulation in derivative lawsuit make serious problem in suing wrongdoing of directors and Supervisors. Before the amendment of the Company Law in 2001, shareholders continuously hold 5% of shares for one year or longer may request in writing for a supervisor to institute an action against a director on behalf of the company. (§ 214 Company Law) The aim of this article is to protect the minority shareholders by providing them the right to file lawsuit against wrongdoing of directors and Supervisors. However, the criteria, holding 5% of share, is not easy to apply in listed company. The rigid regulation makes it a barrier for shareholder to file a derivative lawsuit. Therefore, the successful case for suing a wrongdoing director or statutory is rare in Taiwan. The amended Companies Law in 2001 has loosened the criteria. The requirement of shareholder now is 3%, instead of 5%. However, Taiwan's company law still needs to be further amend unreasonable part (such as, institutional or governance shareholders may be directors and supervisors by appointing their representatives) to protect the right of shareholders, and to equally treat shareholder, either minority or majority.

According to Article 192 and 216 of the “Company Law”, directors of the board and supervisors shall be elected by shareholders' meeting, therefore, all directors and independent directors shall be decided by shareholders' meeting.

4.3.1.4 Nomination System for Election of Director and Supervisor

The public companies may adopt the nomination system for election of Director and Supervisor. Any shareholder of record of at least 1% of the shares may nominate candidates for the election. To formalize this nomination system, company must amend its articles of incorporation (§192-1, §216-1 Company Law) .

4.3.2 Proxy Solicitation

Market discipline such as proxy solicitation is an effective mechanism for corporate governance. With enough votes, the group can exert pressure on management to act in the best interest of the group. That is to say, a proxy fight is one way to discipline management if they deviate from shareholder value maximization. In Taiwan, in each meeting of shareholders, a shareholder may delegate a proxy to attend the meeting by filling a printed form of power of attorney stating the scope of authority (§177 Company Law). To avoid the improper use of proxy solicitation, the Authority has promulgated “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public companies”. According to Section 6, a shareholder shall not consign a trust enterprise or a stock affairs agent to act as the solicitor if he/she involves in conflict of interest, in addition, a subsidiary of a financial holding company shall not be consigned as the holding company’s solicitor if one of the purposes of the shareholders’ meeting is board members election.

To strengthen the administration of proxy rules and protect shareholder’s right, SFB (Taiwan’s SEC) modified “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” on December 15, 2005. There were substantial improvements in the amended rules. In addition to make new criteria for solicitors, the amendment require any public company shall disclose the management plan of every board member candidate for shareholder’s reference. According to Article 179 of Company Law, the entity with no voting right should not be a solicitor or authorizes trust business and any stock affair agency to proceed to proxy solicitation. The rules have been amended again in December 2006. The new amendment focuses on the solicitation procedure of financial institutions (especially, financial holding companies) and try to preclude the management power transition conflicts interfering the stable operation of them. New rules prescribes as following will be enacted from January 1, 2008:

1. If shareholders’ meeting of a financial institute is proposed to hold election of directors or supervisors, the solicitor share-holding period shall be raised form more than 6 months to 1 year.
2. Major shareholder of any financial institute (holds 10% or above of the company’s underlying shares) who plan to entrust trust business or stock affair agency to be a solicitor, shall holds the institute’s shares at least one year or above. However, under the circumstance of holding a board member election, major shareholders share holds at least 12% or above of the financial institute underlying shares.

4.3.3 Facilitating the Exercising of Shareholders’ Rights

Under the consent of shareholders, company may deliver notice and minutes of annual shareholder meeting by electronic transmission in accordance with the format request of Electronic Signature Law.

Article 7 of the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies” requires a TSEC/GTSM listed company shall encourage its shareholders to actively participate in its corporate governance and hold shareholders' meetings on the premise of legal, effective and safe

proceedings, in addition, listed company shall seek all ways and means, including fully exploiting technologies for information disclosure, so as to enhance the attendance rate of shareholders at the shareholders' meeting and ensure the exercise of shareholders' rights.

4.3.4 Operation Mechanism of Shareholders' Meeting

According to the Company Law, a shareholder may appoint a proxy to attend a shareholders' meeting in his/her behalf. Anyone who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, however, trust enterprises or stock agencies approved by the competent authority shall be excluded, which means no voting limitation for these institution. The new amendment also allows mail or online voting, but could not vote for any extemporary motions or modified subjects in the meeting.

On May 24, 2001, Ministry of Economic Affairs announced enforcement letter No. 09002108030 to permit the chairman of the shareholders' meeting could acquire majority attendants' votes agree to adopt a motion by simply oral request by the chairman if no one object the contents of the motion.

Section 14 and 15 of the "Rules Governing the Conduct of Shareholders Meetings by Public Companies" prescribe: when the chairman considers that the discussion for a motion has reached the extent for making a resolution, he/she may announce discontinuance of the discussion and submit the motion for resolution. The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder. Moreover, TSE / GTSM "Best Practice for Public Companies Shareholders' Meeting" prescribes the chairman of the meeting could request all the attendants will. If anyone dissents from the motion, the meeting shall votes for the motion and makes a decision.

4.4 Information Disclosure and Transparency

According to the OECD Principles of Corporate Governance, the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company. Taiwan implements these principles under both provisions in Company law and securities law.

To provide investors with timely, accurate and relevant information, Taiwan public companies have the obligations to provide and disclose information under both provisions in Company law and securities law. Under securities law, primary market and secondary market disclose different documents or information. As in the case of affiliated corporations, an additional disclosure of consolidated financial statements is required. Detailed information disclosure please refers **Appendix I** "List concerning what information Public companies should announce to the public or report to the FSC" (<http://www.sfb.gov.tw/ensfcindex.htm>).

4.4.1 Dissemination of the Primary Market Information

Taiwan's company law and securities laws have many rules governing the issuance and transfer of shares. The Prospectus is the most important document in the disclosure process of listing. The major contents of the Prospectus should include: (1) The extent of open public disclosure; (2) Operating conditions; (3) Operating and capital budgeting plans; (4) Financial conditions; (5) Specially stipulated items and events; and (6) Important resolutions.

In order to enhance corporate governance of listing companies, TSEC amended rules to require initial public offering companies shall file "Corporate Governance Self-assessment Report" with other

registration documents. In addition, underwriters shall describe the corporate governance system of the IPO issuer and providing their opinion. (for details, please refer to the website, http://www.tse.com.tw/docs1/data01/set/public_html/0960005558.htm)

4.4.2 Disclosure of the Secondary Market Information

Information disclosure in the secondary market is a process by which a listed firm discloses material information full, timely and publicly on a regular or irregular basis. The regular disclosure documents in trading market include financial reporting, financial forecast (not mandatory), annual report, and a statement of total operating revenues, also internal auditing operation and insider trading information. To avoid financial statements containing misleading information or not disclosing the important financial or operational information timely or properly, FSC requires semi-annual financial statements and forward looking statements should be reviewed by certified public accountant (CPA). As to irregular basis of disclosure, FSC promulgates rules and guidelines towards special disclosure requirement that may affect shareholders' interests, such as "Rules Governing Acquisition and Disposition of Asset by Public companies". Information disclosed on an irregular basis includes events that may have a large impact on stock prices and shareholders' equity, matters regarding the offering and issuance of securities, matters regarding the acquisition or disposal of assets, matters regarding investment in Mainland China, and matters regarding changes to accounting principles. Moreover, Article 14 of the Securities & Exchange Act require the board, manger, and chief of accounting department shall file a declaration to assure there is no false or misrepresentation in company's disclosed information.

The Taiwan Stock Exchange and Gre Tai Securities Market will establish "Financial Highlights" section for public listed companies in June 2007. The Highlights will include key statistics and trading information specified by The Taiwan Stock Exchange and Gre Tai Securities Market, including changes of trading rules, net value per share falling below NT\$10 with continuing net losses, having abnormally high debt ratio...etc. Any public listed company, which has changes in any highlight statistics, should have those information marked in red.

4.4.3 Corporate Governance Disclosure in Annual Report

According to the "Criteria Governing Information to be published in Annual Reports of Public Companies" (content available at: [http://eng.selaw.com.tw/FLAWDAT01 .asp? LSID=FL007032](http://eng.selaw.com.tw/FLAWDAT01.asp?LSID=FL007032)) for following up the international corporate governance principles. All public companies are required to disclose employee bonuses distribution and integrate all the risk-related information evaluation. The related disclosure requirements of regulations are set out below:

Table 2.: The Corporate Governance Disclosure Requirements in Annual Report of Public Companies

Area	Disclosure requirement	Source
Information to be Published in Annual Reports of Public Companies (Regulations Governing Information to be Published in Annual Reports of Public Companies §7)	<ul style="list-style-type: none"> ● A report to shareholders. ● A company overview. ● Information on implementation of the company's corporate governance. ● An overview of business operation. ● A disclosure of company's capital and shares, corporate bonds, preferred shares, global depository receipts, employee stock option certificates, and merger and acquisition activities. ● An overview of company's financial status. ● A review and analysis of the company's 	

	<p>financial condition, business performance, and risks.</p> <ul style="list-style-type: none"> • Other items deserving special mention. 	
Information on directors and supervisors	<ul style="list-style-type: none"> • Disclosure should be made of the remuneration of individual directors, supervisors, and executives during the year. • Describe the independence and qualifications of the directors and supervisors. • Disclose directors of board and supervisors elected date and positions they hold during the term. And report the activities of the Board of directors and Auditing committee. • The employment status of staffs who endorses the company's financial statement. 	§10-2-(1)
Capital structure	<ul style="list-style-type: none"> • Establish new disclosure requirements for the insider's equity transfer and equity pledges. • Details of directors' and substantial shareholders' interests in company and associated corporations. • Describe the capital structure, major share ownership and shareholder diversification. 	§10-2-(1) §10-3
Management Discussion & Analysis	<ul style="list-style-type: none"> • Describe a review and analysis of company's financial condition, business performance, and risk management measures. • Provide details of the remuneration and bonus of employees. • The information regarding change in chief auditor. 	§7-6 §11-8
Other mandatory disclosures	<ul style="list-style-type: none"> • The differentials in corporate governance and the practice of the Principle of Corporate Governance of the Public Company • Details of the major resolutions approved by the Board meeting or Shareholder annual meeting during the year. • Identify the status of any internal auditing regulatory noncompliance issues on insiders or the company, and present the resolution of the case • Describe the current situation and future development of the industry, the connection among the up-, middle-, and down-stream industries, the development and competition of the products, and long-term or short-term business promotion plans. • Disclose the execution of the employee 	§10-2-(1) §21-4 §21-7 §21-8

	benefits, on-job training, pension plan, how the company supporting the employee's right protection, and making compromise between the employee and employer.	
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To enhance the transparency of the public company financial statement, Section 22 of the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” requires every issuer shall disclose the information regarding the professional fees of the certified public accountant in the following circumstance:

- When professional fees paid to a certified public accountant or the accounting firm of a certified public accountant or its affiliate for non-auditing services account for a proportion equal to one-quarter or more of the fees paid for auditing, or when fees paid for non-auditing services reach 500,000 N.T. Dollars or more, the amount of fees paid for both auditing and non-auditing service as well as the nature of the non-auditing services performed shall be disclosed.
- When the issuer changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year, the amount by which the fees decreased, the proportional decrease and the reasons therefore shall be disclosed.
- When the amount of fees paid for auditing services is lower than for the previous year by fifteen percent or more, the amount by which the fees decreased, the proportional decrease and the reasons therefore shall be disclosed.

On June 2, 2003, the Authority promulgated “Guidelines Governing the Preparation of Financial Reports by Publicly Held Bank” and “Guidelines Governing the Preparation of Financial Reports by Bills Finance Company” to provide a uniform disclosure documental devise and enhance the transparency of banks and bill finance companies.

4.4.4 Disclosure of Affiliated Corporations

To protect the rights of minority shareholder and creditor, the controlling company and subordinate company of a public company shall, at the end of each business year, prepare a consolidated business report, consolidated financial statements, and a report regarding the relationship of legal acts and status between them. (§369-12 Company Law)

Considering increasing number of business affiliates in Taiwan, the Authority published the “Guidelines for Compilation of the Group Companies Management Report, the Consolidated Financial Statements, and the Relationship Report” in 1999 and required that the three reports include the following:

- The Group Companies Management Report: The contents include the organizational chart, shareholding status of directors, supervisors and the general manager, the related party transactions among group members, financial status and operational results of each company, etc.
- The Consolidated Financial Statement: Any public company shall disclose Consolidated Financial Statement while compiling annual report. The contents shall include financing accommodation among group members, endorsement or guarantee, transactions on derivative products, material matters, after day items, and the holding of bills and securities. Starting from 2005, all the TSE & GTSM listed companies shall disclose semi-annual Consolidated Financial Statements.
- The Relationship Report: the contents shall include the purchasing & selling of goods and asset transactions, financing, and endorsement among group companies.

4.4.5 Public Disclosure System

The latest amendment of the Company Law provided that company announcements may be made according to the regulations stipulated by the FSC. Therefore, public companies under Securities regulations shall disclose information through the "Market Observation Post System" established by TSE or GTSM (available at website: <http://emops.tse.com.tw>). Public companies now have legal grounds to publicize information via Internet. In addition, copies of corporate paper filings are also available at SFI library, TSE Public Relations Office, GTSM Administration Department, and Chinese Securities Association (CSA). The "Corporate Governance Best-Practice Principles for the TSE/GTSM Listed Companies" also advise listed companies should set up a website containing the information regarding the company's finance, operation and corporate governance.

4.4.6 Information Disclosure Ranking System

To promote corporate transparency by developing evaluation criteria that can not only well examine local disclosure practices but also comply with international standards, the SFI, entrusted by TSE and GTSM, has conducted "Information Disclosure and Transparency Ranking System (hereafter IDTRS)" since 2003. The ranking criteria are base on the latest publicly available information, including annual report, information on "Market Observation Post System", and company's website. The ranking is assigned to each of the following five categories:

- Compliance with the mandatory disclosures
- Timeliness of reporting
- Disclosure of financial forecast
- Disclosure of annual report (including ownership structure, board structure, and transparency of financial and operating review)
- Corporate website Disclosure

Each disclosure item is in the form of a "yes" or "no" question to ensure objectivity, and each "yes" is equal to one point opposite to each "no" to zero. IDTRS does not endeavor to access the accuracy of the information. Annual ranking results will be released in May on the website: <http://www.sfi.org.tw/english>.

4.4.7 Corporate Governance Framework Assessment System

Corporate governance can be implemented through regulations to ensure the proper internal control of a company. However, the best way to achieve the implementation of corporate governance is to make corporate governance evaluation criteria for investors when they are choosing their investment target. In order to achieve this goal, there must be an evaluation system, which can reflect the degree of corporate governance practicing. The system will be able to influence investors while they are choosing their investment target, and will be able to increase correlation between corporate governance and shareholders' right. The Corporate Governance Framework Assessment System has six criteria: Insuring shareholders' right, enhancing information transparency, strengthening functions of board of directors, utilizing supervisors' power, enhancing disciplines and communication within management team, respecting right of stakeholders and taking social responsibilities. The evaluation will use the six criteria as guideline, combine with interview, survey, Information Transparency and Disclosure Ranking Score from SFI, and other related documents to evaluate the degree of corporate governance of each listed company. Companies with passing grade will be reward with the Certification from Corporate Governance Association in Taiwan.

Corporate Governance Framework Assessment System encourages companies to apply for evaluation. The evaluation is executive by a commissions and a research team. The 2nd Corporate Governance Framework Assessment Certificate has been issued to 6 companies at March 2007, which includes TSMC, Cunghwa Telecom, Taiwan Mobile, China Steel, Yageo, and Macronix.

4.5 Disgorgement against Insider's Short-Swing Profit

Under Article 157 of Securities & Exchange Act, the company shall claim for "short-swing trading" profit while insiders of listed companies sell the listed securities within six-month after its acquisition, or repurchase the securities within six months after its sale.

The SFI has maintained an active enforcement program in the above area. Since owning one trading unit in each Taiwan listed company, the SFI, based on Securities Law, firstly demand in writing those companies to claim insider's short-swing profit. For those companies that delayed in claiming, the SFI shall claim as the company's shareholder. There were 907 cases managed by the SFI in 2002, of which 809 cases were closed, 22 cases were pending in litigation, and 74 cases were in recourse process. The Securities & Futures Investors Protection Center (SFIPC) takeover the short-swing profit disgorgement matters from January 2003. For more detailed information, please refer **Appendix II** "List of Total Short-Swing Profit Claim against Insiders".

In order to prohibit price manipulation and insider trading to maintain the securities trading order and establish justice in the market, TSE and GTSM have executed respective market surveillance. In addition, TSE, GTSM, and TAIMEX have collaborated in executing inter-market surveillance and crisis handling mechanism since 1999. Securities & Exchange Act Amendment §21-1 also authorized the Authority and related SROs to sign up information exchange and cooperation agreements or MOU with foreign authority, SROs, and international organizations to inhibit cross-boarder criminals.

5 .The Role of FSC in Corporate Governance

In Taiwan stock market, individual investors constitute the major participant of the market. Insufficient function of institutional investors and lack of effective market discipline mechanism encourage FSC to play a leadership role in promoting good corporate governance.

5.1 No Cross-shareholding among Affiliated Corporations

Owing to the hidden risk of cross-shareholding among affiliated corporations, a subordinate company shall not redeem or buy back any of controlling company shares, nor accept any of them as security under amended company law in 2001.(§167 Company Law), also, a company have no voting power in respect of the share issued by itself and in its own possession (Company Law §179). To enhance the supervision for the financial and operation control of affiliated corporations, the Authority amended the "Regulations for the Establishment of Internal Control Systems by Public Companies" twice in year 2003 and 2004.

5.2 Improving Information Transparency

5.2.1 Earlier Announcement of Annual Financial Reports

Under the present securities law, an issuer shall announce to the public the financial reports, which

have been duly audited and certified by CPAs within four months following the close of each fiscal year. FSC proposes to shorten the period of four months to make earlier disclosure to the public.

5.2.2 Amending the Regulations of Financial Forecasts

The Authority promulgates the regulation, “Rules for Disclosure of Financial Forecasts by Public Company” to protect the informed right of investors. From December 2004, the FSC no longer requests public companies to disclose financial forecast when preparing for listing, or any significant change regarding business ownership, finance, and operation of company occurs. A public company may publish its financial forecast by summary financial forecast and complete financial forecast according the Rules voluntarily, and shall be disclosed on the “Market Observation Post System” (MOPS) website for market supervision purpose.

5.2.3 Information Disclosure Regarding Employee Bonuses

On March 30, 2007, the Authority issued an order (FSC Release No 0960013218) that required public companies to improve disclosures on employee bonuses information to better protect investors. The new disclosure requirement requested disclosure in a public company’s annual financial report, shareholders’ meeting handbook or TSE’s MOPS of the following information:

1. The exercise price of stock options of public listed companies should reflect the price changes caused by dividend paid or stock split.
2. Financial Statement attachments should reveal the flowing information:
 - A. The Articles of Incorporation should reveal the employee bonus, and salary and rewards for directors and supervisors. Furthermore, it has to inform investors about information channels, which can provide meeting results from board of directors regarding the employee bonus and rewards for directors and supervisors.
 - B. The following information should be disclosed: the methods used to calculate employee bonus and director’s rewards, the methods used to calculate shares of employee stock bonus, and the accounting practice for differentiates between the estimated amount and the actual amount of bonus.
 - C. The actual amount of employee bonus, and salary and rewards for directors and supervisors from previous year should be disclosed. Differentiates between actual amount and estimated amount should be fully explained by the company.
3. Resolution from board of directors’ meeting regarding dividend policy and other related decisions should be post on M.O.P.S. and Proceeding of Paragraph. Those resolutions include:
 - A. Dividend Policy:

Resolutions regarding cash bonus, stock options, and reward for supervisors and directors.
The differentiates between the actual amount and estimated amount listed as bonus should be explained
 - B. Dividend policy made by meetings of shareholders, and meeting of board of directors should be disclosed. If any differentiate occurs between two resolutions, it should be fully explained.

5.2.4 Disclosure of Stakes above 5%

Although “Securities & Exchange Act” requires shareholders who acquire more than 10% of the total issued shares of a public company shall file a statement with the Competent Authority, not above 5%. The FSC had promulgated “Criteria Governing Information to be Published in Public Offering and Issuance Prospectuses” and “Criteria Governing Information to be Published in Annual Reports of Public Companies” to require the annual report shall list all shareholders with a stake of 5% or more, or shall list the top 10 shareholders, specifying the number of shares and stake held by each shareholder on the list. If the disclosed shareholder is juristic person and also be elected as a director of the board or a supervisor of the company, shall disclose their controlling shareholders. The annual reports and prospectus could be looked up and downloaded from the website: <http://newmops.tse.com.tw>.

5.2.5 Integrated Public Disclosure System

To strengthen the public disclosure system, amended company law approves that public companies disclose financial and non-financial information online instead of newspaper only. (§28 Amended Company Law) TSE & GTSM have already integrated the market monitoring and surveillance system. Currently, this system provides real-time stock trading information, related news, transaction data, alert, and financial business information of all the listed companies and securities dealers.

The Authority has already requested the TSEC and GreTai Securities Market to enhance the English version of “Market Observation Post System” for assisting foreign investors to get quick understanding about Taiwan Capital Market, also encouraged public companies to establish their own English websites and construct investors service area on their homepage to strengthen company information transparency.

5.3 Improving Accounting System of Public Companies

5.3.1 CPAs’ due Diligence Responsibility

The new amendment of the “Securities & Exchange Act” dated on April 28, 2004 aggravates criminal responsibility for failure to state a material truthfully in a company financial report due to failure to audit in accordance with applicable laws and regulations and generally accepted audit principles by a certified public accountant. Amendment 2005 describes more clearly to identify civil liability of securities issuer and any responsible person whose signature on the fraud or misrepresentation financial statement. (Article 20-1 of Securities & Exchange Act)

Except amending the regulations, the FSC continuing to strengthen the audit quality of the listed companies financial reports, and supervising CPAs’ audit quality by examining their working sheet. Any CPA who violates their responsibility, making false or misunderstanding in their audit report shall be punished, also, require the National Union of CPA Associations, R.O.C. to conduct “CPA Firms Rating System” to evaluate qualified CPA Firms.

The FSC drew up an amendment of CPA Law for enhancing the supervision of CPA firms, and adds more requirements for the independence of chartered accountants. Incorporating CPA partnership, aggravating the responsibility of the accountant misconducts, and constituting a National CPA Association to improve the CPA industry’s quality are the main issues of the amendment. Taiwan general accepted accounting principle adopted the international standards, in fact, there is no major

difference between Taiwan Accounting Principles and International Accounting Standards. Besides, the FSC extend its supervisory power over the CPA firms that allow agents to exam certification CPA firms, and also create a notification system for CPA who refuses to make certification to restrain the possible misconducts of CPA and public companies as well.

5.3.2 Set Aside Losses on Sale of Non-Performing Loans as Special Reserve

Financial institutions sell non-performing loans to asset management companies and write off the losses in five years, when allocating surplus profits, in addition to the allocation for legal reserve required by law (§41 Securities & Exchange Act), the difference between losses on sale of non-performing loans and the amount written off shall appropriate as special reserve. The Authority also enunciated an order (SFC Release No.091006109) on December 10, 2002 to require financial institutes whose shares have been issued publicly shall disclose the amount of loss induced by non-performing loan disposal at “Market Observation Post System” in two days.

5.3.3 Accounting Principle of Employee Stock Option Plan

Currently, the accounting of employee stock option plan was adopted from the SFAS No. 123 of United States. The compensatory employee stock option plan of a company shall be record in compensation cost (expense), and the accounting principle shall adopt “Fair Value Method” or “Intrinsic Value Method”, however, adopt “Intrinsic Value Method” shall disclose Pro Forma Information.

FASB, U.S.A has announced a new guideline to require any company who intent to issue employee stock option shall adopt Fair Value Method to record in expense from 2005. Taiwan authority has already asked the “Accounting Research and Development Foundation” to research the possibility of adopting the same accounting measure in our country.

5.4 Improve Administrative Procedure of Tender Offer

Tender Offer is an effective market discipline mechanism for corporate governance. According to Article 43-1 of Securities & Exchange Act, any tender offer to purchase the securities of a public company shall file to the FSC instead of approval. The related regulation also introduces mandatory tender offer for avoiding effect stock price by large acquisition of shares. Any person who individually or jointly with another person(s) intends to acquire within 50 days shares accounting for 20 percent or more of the total issued shares of a public company shall employ a public tender offer. (Section 11 of Regulations Governing Tender Offers for Purchase of the Securities of a Public Company) .

5.5 Introducing More Institutional Investors to Engage the Corporate Governance

In order to change shareholders' structure of local companies, the Authority opens the market for Foreign Institutional Investors and enlarges “securities investment consulting enterprise or securities investment trust enterprise” with the business of investment with full discretionary authorization, also encourages foreign and institutional investors to engage in the corporate governance supervision, and influence local enterprise to construct their own corporate governance policy.

The FSC announced enforcement letter No. 0930134921 on August 5, 2004 to approve the “Corporate Governance Best-Practice for Securities Investment Trust & Consulting Business” which promulgated by the “Securities Investment Trust & Consulting Association, R.O.C.” (SITCA). SITCA also amended the “Ethics Codes for Securities Investment Trust Fund Management” and the “Conduct Guideline for Securities Investment Consulting Business Professionals” for the above purpose. In

addition, for enhancing the influence of institutional investors on public company's corporate governance, the proxy rules promulgated by the FSC prescribes shareholders who has held 10% or more of the total number of issued shares of a public company, or any shareholder who support a candidate meets qualification of a independent directors for board election, or shareholders who has same opinion to the agenda of the meeting, may mandate a Investment Trust Company or a stock agent to act as a solicitor, and the number of shares to be represented shall not be restricted.

Furthermore, the FSC consider to corporate with Ministry of Economic Affair (MOEA) to amended Article 181 of the "Company Act" to allow institution shareholders adopting "dividable votes" which any institution shareholder would divide its vote into "agree", "object", and "default" to satisfy their investors' will. The purpose of this amendment is encouraging institution shareholders to make more influence on major issues of shareholders' meeting and candidates of the Board as well, also may induce the development of communication voting.

5.6 Orientations and Training of Directors and Supervisors

The regulator appointed SFI to provide orientation and continued training courses for all the new or experienced directors and supervisors. SFI provides practical training courses in the field of commercial laws, finance, and accounting practice to assist the board share a diversity of background, knowledge and experience. After taking courses, directors and supervisors will absorb related financial and legal knowledge for their benefits.

In order to improve Taiwan corporation management culture and international investors' understanding, the SFI also established continuing education channel for board members, held international corporate governance seminars, and participate international forums regarding corporate governance to animate the concept of corporate governance.

5.7 Enhancing Internal Control and Audit Systems of Public Companies

The Authority promulgates the regulation, "Criteria for Establishment of Internal Control Systems by Public companies" to require those public companies execute internal control and audit system. With conducting project audits of CPA, the regulator decides to strengthen the efficacy of internal control, and upgrade the quality of accounting information. To implement the functions of corporate internal audit plan, the authority follows up the Sarbanes-Oxley Act of 2002, United States and auditing standard No. 2 released by PCAOB and announces new amendments in 2005. The new amendment aims to enhance the reliance of financial statements by improving procedures to ensure that all financial statements comply with the Generally Accepted Accounting Principles and all transactions are approved in due course. Also, the authority requires public companies' internal control procedure shall include "related-party transaction management" and "procedures for preparing financial statements". CPAs shall issue their opinion concerning companies' internal control procedure and "supervision and management of subsidiaries".

5.8 Encourage Companies to Implement Corporate Governance

The regulator also involved in improving the corporate governance environment of securities and futures intermediaries, lots of best-practice codes have been promulgated for intermediaries to improve their corporate governance since 2003. CSA, together with TSE and GTSM, jointly promulgated "Corporate Governance Best-Practice Principles for Securities Firms" in January 2003. (Full text of this best-practice principle can be read online at: <http://www.csa.org.tw/downdoc/law/Governance.doc>). Securities firms shall follow these Principles to establish a sound corporate

governance system. Future firms, securities investment trust and consulting business are also required to follow their own “Corporate Governance Best-Practice Principles”. Other financial industries also establish their own best-practice principles of corporate governance under the suggestion of their own administration, such as, “Corporate Governance Best-Practice Principles for Financial Holding Companies”, “Corporate Governance Best-Practice Principles for Banks”, and “Corporate Governance Best-Practice Principles for Insurance Companies”.

By exercising the pressure through market mechanisms, the Authority expects to guide companies to establish good corporate governance and to implement the Taiwan Corporate Governance Code. For the purpose mentioned above, the Authority established a “Corporate Governance Bulletin board” on its website (<http://www.sfb.gov.tw/>) to provide the related regulations, guidelines, and FAQ for the public. Moreover, the Authority require related SROs should establish “corporate governance section ” on their website to promote the concept and principles. Following are the websites’ IP for reference:

1. Securities & Futures Institute: http://www.sfi.org.tw/Corporate_Governance
2. Taiwan Securities Exchange: http://www.tse.com.tw/ch/listed/governance/cg_10.php
3. GreTai Securities Market: http://www.otc.org.tw/ch/regular_emerging/corporate_governance.php
4. Chinese Securities Association: <http://www.csa.org.tw/A001/A021.asp>

5.9 Enact “Securities Investors and Futures Traders Protection Law”

As mentioned above, the SFI is a quasi-public organization for research, training and protecting investors. To enhance the protection of investors, the SFI formally set up an “Investor Service and Protection Center” in March 1998. This Center has initiated a number of activities regarding the protection on investor rights and lodged complaints or filed charges on behalf of the general investors. In June 1991, the SFI raised a sum of NT\$30 million and established a fund for public litigation against egregious violation of Securities Law. The SFI will exercise its own minority shareholder right pursuant to the Companies Law or bring de facto class actions as agents for other claimants.

To support the legal basis of protecting investors, the “Securities Investors and Futures Traders Protection Law” was enacted in 2002. The Law was passed by parliament in July 2002. The most important part in the law is the enhancement of mechanisms for securities class action, which figures out the absence of class-action lawsuits. Moreover, the law will authorize the establishment of an investor protection foundation. Securities and Futures Investors Protection Center (SFIPC), established on January 22, 2003 in accordance with the Securities and Futures Investors Protection Law, provides consulting, mediation, class-action lawsuits, compensation and other related services to investors.

According to Article 28 of the Act, the protection institution may bring an action or submit a matter to arbitration in its own name with respect to a single securities or futures matter injurious to a majority of securities investors or futures traders, after having been so empowered by not less than 20 securities investors or futures traders. The securities investors or futures traders may withdraw the empowerment prior to conclusion of oral arguments or examination of witnesses and shall provide notice to the court or arbitration tribunal. Up to January 12, 2005, adopted 20 compensation claim cases, and filing 17 of them to the court. Accumulated 20,614 investors registered, and the compensation amounts to NT\$ 10.75 billion. In addition, according to Article 41 of the “Civil Litigation Law”, persons who involved in the same issue shall decide one or more plaintiffs to acting as a procurator for this claim, that is, our legal system permit shareholder to file a class-action lawsuit. For more information regarding the Investor Service and Protection Center, please refer to the official website at: <http://www.sfipc.org.tw/index.htm>

5.10 The Investigation and Enforcement Power of Securities Authority

The “Securities & Exchange Act” authorized the authority to execute investigation and administrative sanction for violating laws cases, and also, rule criminal disposition. In addition, Article 5 of the “Organization Act of Financial Supervisory Commission, Executive Yuan” prescribe the FSC may request any financial institution and its affiliated persons to provide their account books, documentation, and computer files, or inform all examinee report to the appointed office for further interpellation. If any criminal suspect involved, the FSC may acquire the permission of the prosecutor and apply a search warrant from the court for further investigation. As a matter of fact, the establishment of the FSC enhances the power of investigation and enforcement.

Regarding the manpower for violation investigation, there are about 170 people from TSE & GTSM to assist competent authority to monitor market transactions. In addition, any violation involved criminal activity shall be taken over by jurist department. There are more than 2,500 professionals from the “Bureau of Investigation Ministry of Justice” and about 1,000 prosecutors devote to the related investigation.

Rigid civil law approach makes it a barrier to file a lawsuit against directors and supervisors. Disqualified or unlawful directors and supervisors actually do not worry about the lawsuit since the proceeding will last for years. For example, the Company Law allows institutional or government shareholders to appoint their representatives as directors and supervisors, and this inherent conflict of interests essentially against the rules that a supervisor shall not concurrently be the director of the company, with the result, the affiliation between supervisor and major shareholders has weakened their functions. Taiwan government is aware of the defects of the system function, and currently engaging in the following issues to rectify Taiwan corporate governance. To make an easier filing of derivative lawsuit, the amended company law recently has loosened the criteria. Any shareholder owning 3% of a company’s share over a year, instead of 5%, may petition supervisor to sue directors. If the supervisor fails to do so within 30 days, the same shareholder may file the lawsuit for company’s interest. (§214 of Company Law)

Article 181-1 of Securities & Exchange Act requires jurisdiction system to constitute a professional court to examine the market criminal suspects for assuring the trial is under the verdict of a judge who owns knowledge of securities market and economic criminals.

Appendix I

List concerning what information Public companies should announce to the public or report to the FSC

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
<p>I. Items to be handled on a regular basis</p> <p>1 Monthly sales revenues</p>	<p>1 Financial and insurance enterprises</p> <p> 1 Operating revenue</p> <p> 2 Operating expenses</p> <p>2 Other listing companies on the TSEC and GTSM</p> <p> 1 Invoice income</p> <p> 2 Operating revenue</p>	<p>Must input relevant information into the Market Observation Post System (MOPS) prior to the tenth day of the following month</p>	<p>None</p>	<p>1 Item 1 and 4 of Article 36 of the Securities and Exchange Law and Article 5 of the Enforcement Rules of the Securities and Exchange Law</p> <p>2 Securities and Futures Commission, Ministry of Finance (1) Document No. 08842, August 10, 1988</p> <p>3 Securities and Futures Commission, Ministry of Finance (6) Document No. 003888, August 10, 1991</p> <p>4 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910003639, June 28, 2002</p> <p>5 Securities and Futures Commission, Ministry of Finance (6) Document No. 0910004197, August 6, 2002</p> <p>6 Securities and Futures Commission, Ministry of Finance (6) Document No. 0910006432, December 31, 2002</p>
<p>2 Monthly Endorsement and Guarantee</p>	<p>The amount of endorsement and guarantee</p>	<p>Must input relevant information into MOPS prior to the tenth day of the following month</p>	<p>None</p>	<p>1 Article 36-1 of Securities and Exchange Act.</p> <p>2 "The Guidelines for the Lending of Capital, Endorsements and</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
				Guarantees by Public Companies" 3 Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639of June 28, 2002.
3 Monthly capital lending	The amount of capital lending	Ditto	None	1 Article 36-1 of Securities and Exchange Act. 2 "The Guidelines for the Lending of Capital, Endorsements and Guarantees by Public Companies" 3 Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639of June 28, 2002.
4 Information about derivative instrument transactions	Capital amount engaged in derivative instrument transactions	Ditto	None	1 Article 36-1 of Securities and Exchange Act. 2"Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" 3.Financial Supervisory Commission (1) Document No0940001484, April 8, 2005.
*5 Q1 financial report Q3 financial report	1 Quarterly financial report reviewed by CPAs 2 Quarterly Consolidated financial report reviewed by CPAs (Apply to financial holding companies and Holding companies) 3 Case checklist 4 A company that has published its complete financial forecast , analysis of the reasons for a discrepancy of 20 percent or more between actual and forecast income before taxes , and, if the financial forecast was reviewed by a	1 Must transmit it to the MOPS in electronic file format and file it to this commission in paper file format within one month of the end after the first and third quarters of each business year 2Companies whose stocks are traded in the Emerging Market or whose stocks are no yet listed on TSE or GTSM are exempted from making public announcements and filing reports except the bank, insurance or securities subsidiaries of the	*1 Taiwan Stock Exchange *2 GreTai Securities Market 3 Securities and Futures Institute	1 Item 1 and 4 of Article 36 of the Securities and Exchange Law 2 Securities and Futures Commission, Ministry of Finance (6) Document No. 01468, August 4, 1994 3 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910003639, June 28, 2002 4 Securities and Futures Commission, Ministry of Finance (6) Document

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	CPA, also shall have a CPA's opinion . 5 Certification	financial holding companies. 3 Quarterly Consolidated financial report Must transmit it to the MOPS in electronic file format and file it to this commission in paper file format within one month or 45 days of the end after the first and third quarters of each business year.		No. 0910006432, December 31, 2002 5 Securities and Futures Commission, Ministry of Finance (6) Document No. 091000549, February 11, 2003 6 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910112978, April 23, 2003 7. Securities and Futures Commission, Ministry of Finance (6) Document No. 0910006430, December 31, 2002 8. Financial Supervisory Commission (6) Document No. 0940001071, March 8, 2005. 9. Financial Supervisory Securities (6) Document No. 0930005938 of December 9, 2004. 10 Securities and Futures Commission, Ministry of Finance (6) Document No. 0950001436, March 24, 2006
6 Half-yearly financial report	1 Half-yearly financial report audited by CPAs 2. Financial holding companies and Holding companies Half-yearly Consolidated financial report audited by CPAs, other companies Half-yearly Consolidated financial report reviewed by CPAs. 3 Minutes of Board Meeting	1 Must transmit it to the MOPS in electronic file format and file it to this commission in paper file format within two months of the end of each half-business year. 2. Financial holding companies Half-yearly Consolidated financial report Must transmit it to the MOPS in electronic file format and file it to this commission in paper file format within two months of the end of	* 1 Taiwan Stock Exchange * 2 GreTai Securities Market 3 Securities and Futures Institute	1 Item 1 and 4 of Article 36 of the Securities and Exchange Law 2 Securities and Futures Commission, Ministry of Finance (6) Document No. 01468, August 4, 1994 3 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910003639, June 28, 2002

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>4 Report recognized by the supervisors</p> <p>5 Case checklist</p> <p>6 A company that has published its complete financial forecast , analysis of the reasons for a discrepancy of 20 percent or more between actual and forecast income before taxes , and, if the financial forecast was reviewed by a CPA, also shall have a CPA's opinion .</p> <p>7 Certification</p>	<p>each half-business year.</p> <p>3. Other companies Half-yearly Consolidated financial report Must transmit it to the MOPS in electronic file format and file it to this commission in paper file format within two months or 75 days of the end of each half-business year.</p>		<p>4 Securities and Futures Commission, Ministry of Finance (6) Document No. 0910006432, December 31, 2002</p> <p>5 Securities and Futures Commission, Ministry of Finance (6) Document No. 091000549, February 11, 2003</p> <p>6 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910112978, April 23, 2003</p> <p>7 Financial Supervisory Commission (6) Document No0930154140, December 16,2004</p> <p>8 Financial Supervisory Commission (6) Document No0940001317, March 29, 2005</p> <p>9 Financial Supervisory Commission (6) Document No0940001468, April 8, 2005</p> <p>10 Financial Supervisory Commission (6) Document No0940001071, March 8, 2005</p> <p>11. Financial Supervisory Securities (6) Document No. 0930005938 of December 9, 2004.</p> <p>11 Securities and Futures Commission, Ministry of Finance (6) Document No. 0950001436, March 24, 2006</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
7 Yearly financial report	<p>1 Yearly financial report audited by CPAs</p> <p>2 Consolidated financial statement</p> <p>3 Minutes of Board Meeting</p> <p>4 Report accepted by supervisors</p> <p>5 Case checklist</p> <p>6 A company that has published its complete financial forecast , analysis of reasons for a discrepancy of 20 percent whose amount is equal to or over 0.5 percent of paid-in capital and NT30,000,000 between actual and forecast income or un-audit income before taxes , and, if the financial forecast was reviewed by a CPA, also shall have a CPA's opinion .</p> <p>7 Consolidated financial statement for parent and affiliated companies</p> <p>8 Certification</p>	<p>1 Must transmit it to the MOPS in electronic file format and file it to this commission in paper file format within four months after the end of each business year</p> <p>2 Public announcement and filing must not be postponed by any reason.</p>	<p>*1 Taiwan Stock Exchange</p> <p>*2 GreTai Securities Market</p> <p>3 Securities Exchanges Securities and Futures Institute</p>	<p>1 Item 1 and 4 of Article 36 of the Securities and Exchange Law</p> <p>2 Securities and Futures Commission, Ministry of Finance (1) Document No. 01081, June 1, 1991</p> <p>3 Securities and Futures Commission, Ministry of Finance (6) Document No.03363, December 7, 1991</p> <p>4 Securities and Futures Commission, Ministry of Finance (1) Document No.01680, July 12, 1993</p> <p>5 Securities and Futures Commission, Ministry of Finance (6) Documents No. 04448 and 04449, November 30, 1999</p> <p>6 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910003639, June 28, 2002</p> <p>7 Securities and Futures Commission, Ministry of Finance (6) Document No. 0910006432, December 31, 2002</p> <p>8 Securities and Futures Commission, Ministry of Finance (6) Document No. 091000549, February 11, 2003</p> <p>9 Securities and Futures Commission, Ministry of Finance (1) Document No. 0910112978, April 23, 2003</p> <p>10 Financial Supervisory Securities (6) Document No. 0930005938 of December 9, 2004.</p> <p>11 Securities and Futures Commission, Ministry of Finance (6) Document No. 0950001436, March 24, 2006</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
8 Changes to share ownership and pledged rights	<p>The changes to share ownership, arranged pledge and annulled pledge of the company's board directors, supervisors, managers, and shareholders holding 10 percent or more of the company's stocks (referred to as internal company personnel)</p> <p>(Reports should be submitted by: directors of the board, supervisors, managers, and shareholders holding more than 10 percent of the company's stocks, including their spouses, under-age children and nominal third party holders. This also applies to representatives appointed by the government or corporate shareholders and their spouses, children or nominal third party shareholders)</p>	<p>1 The company should input information regarding the changes of shares held by internal company personnel during the previous month into MOPS, prior to the 15th day of each month.</p> <p>2 If a pledge is arranged, the arranging party should input relevant information into the MOPS within five days, and transmit a summary report in an electronic file to the MOPS before the 15th day of each month. The same is valid for annulled pledges.</p>	None	<p>1 Article 25 of the Securities and Exchange Law</p> <p>2 Securities and Futures Commission, Ministry of Finance (2) Document No.08954, August 26, 1988</p> <p>3 Securities and Futures Commission, Ministry of Finance (3) Document No.001191, February 8, 2002</p> <p>4 Securities and Futures Commission, Ministry of Finance (3) Document No.107897, March 15, 2002</p> <p>5 Securities and Futures Commission, Ministry of Finance (1) Document No.0910003639, June 28, 2002</p>
9.Information about shareholders meetings	<p>1 Written meeting notification</p> <p>2 Paper to be used for proxy</p> <p>3 main points of proposals and description</p> <p>4 Shareholders Meeting Handbooks</p> <p>5 Complementary meeting materials</p>	<p>30days prior to a shareholders meeting, or 15days prior to a special shareholders meeting, shall transmit meeting notification \ Paper to be used for proxy \ main points of proposals and description in an electronic file to Market Observation Post System.</p> <p>Shareholders meeting (including regular and special meetings) shall transmit shareholders meeting handbook and Complementary meeting materials in an electronic file to Market Observation Post System.</p>	None	Article 5、6 of the Regulations Governing Content and Compliance Requirements for Shareholders Meeting Handbooks of Public Companies
10. Matters regarding calls for proxies	Summarize the solicited materials for the solicitor	1.38days prior to a shareholders meeting, or 23days prior to a special shareholders meeting, the solicitor shall send the solicited materials to the solicited companies, and submit	1 The filing of publicly announced in	<p>1 Article 25-1 of the Securities and Exchange Law</p> <p>2 Item 1,2, Article 7 of "Rules</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
(1) Summarize the materials of Public announcements for solicitor		<p>copies to the Securities and Futures Institute.</p> <p>30 days prior to a shareholders meeting, or 15 days prior to a special shareholders meeting, the company shall compile the Solicitor Solicitation Information and transmit it in an electronic file for disclosure by the Securities and Futures Institute, or shall publicly announce it in a daily newspapers for two consecutive days.</p> <p>2.If any change in the agenda of the shareholders meeting occurs from the date of expiry of the period for submission by the solicitor of the solicitation information pursuant to the preceding paragraph to the date of mailing of the shareholders meeting notice, the company shall immediately notify the solicitor with a copy to the Securities and Futures Institute and shall prepare an electronic file of the solicitation information as revised by the solicitor on the basis of the changed agenda and transmit to the Securities and Futures Institute for disclosure.</p>	<p>newspapers, could be omitted</p> <p>2 Copies of the solicitor's forms for material solicitation shall be submitted to the Securities and Futures Institute.</p>	<p>Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies”</p> <p>3 Securities and Futures Commission, Ministry of Finance (3) Document No.0920001124, March 19, 2003</p>
(2) Submit the report of materials obtained by the solicitor	A detailed summary form about proxies information	On the day of the shareholders meeting, the public company or its agent for stock affairs shall compile a statistical statement of the number of shares obtained by the solicitor through solicitation and transmit it to the Securities and Futures Institute in electronic file format, and shall make an express disclosure of the same at the site of the shareholders meeting.	None	<p>1 Article 25-1 of the Securities and Exchange Law</p> <p>2Article 12 of "Rules Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies”</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
(3) Submit report on non-solicited authorized representation materials	A detailed summary form shall be compiled of non-solicited proxies authorizations for representation	On the day of the shareholders meeting, the public company or its agent for stock affairs shall compile a statistical statement of the number of shares represented by the consigned agent transmit it to the Securities and Futures Institute in electronic file format, and shall make an express disclosure of the same at the site of the shareholders meeting.	None	1 Article 25-1 of the Securities and Exchange Law 2 Item 3, Article 13 of " Rules Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies" "
11. Annual report	Annual report	1 Annual report should be distributed to shareholders at regular meetings of shareholders 2 Electronic files should be sent to the MOPS prior to a shareholders meeting.	* 1 Taiwan Stock Exchange * 2 GreTai Securities Market 3 Securities and Futures Institute	1 Paragraph 3 and 4, Article 36 of the Securities and Exchange Law 2 Securities and Futures Commission, Ministry of Finance (1) Document No. 100116, January 3, 2000 3 Securities and Futures Commission, Ministry of Finance (1) Document No. 00371, February 1, 2000 4 Securities and Futures Commission Ministry of Finance (1) Document No. 000536, March 2, 2001 5 Securities and Futures Commission Ministry of Finance (1) Document No. 0910003639, June 28, 2002 6 Securities and Futures Commission Ministry of Finance (1) Document No. 0920112978, April 23, 2002

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
12. Status of internal audit execution	Details-“ S standards for publicly Held Companies to Establish Internal Control Systems ”	<ol style="list-style-type: none"> 1 Before the end of January each year, Resumes of internal auditors should be summarized and transmitted in an electronic file to MOPS for this commission’s reference 2 Within two months following the end of each fiscal year, the status of the execution of the audit plan for the previous year shall be transmitted in an electronic file to MOPS for this commission’s reference. 3 Within five months following the end of each fiscal year, the status of improvements to internal control deficiencies or abnormalities discovered by the previous annual internal audit shall be transmitted in an electronic file to MOPS for this commission’s reference 4 Prior to the end of each fiscal year, the audit plan for the following year shall be transmitted in an electronic file to MOPS for this commission’s reference. 5 Prior to the tenth day of the following month, changes to the internal audit supervisor shall be approved by the board of directors and transmitted in an electronic file to MOPS for this commission’s reference 6.TA company applying for initial public shall designate the certified 	None	<ol style="list-style-type: none"> 1 Securities and Futures Commission, Ministry of Finance (1) Document No.003639, June 28, 2002 2 Securities and Futures Commission, Ministry of Finance (audit) Document No.005805, November 18, 2002

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		public accountants to do the special audit for the effectiveness of the design & implementation of the internal control system and provide the audit report to this commission.		
13. The status of the internal audit execution for companies engaged in derivative instrument transactions	Internal Auditors' report	Attached to the previous item, status of the internal audit execution, and filed in the Commission	None	<ol style="list-style-type: none"> 1. "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" 2 Securities and Futures Commission, Ministry of Finance (1) Document No.0910003639, June 28, 2002
14. Internal control declaration	Internal control declaration	Within four months following the end of each fiscal year, the internal control declaration shall be transmitted in an electronic file to MOPS for this commission reference	None	<ol style="list-style-type: none"> 1 Securities and Futures Commission, Ministry of Finance(1)Document No.0910003639,June 28.2002 2 Securities and Futures Commission , Ministry of Finance (audit)Document No.0910005805,November 18,2002 3 Securities and Futures Commission Ministry of Finance(audit)Document No.092001833,April 30,2003. 4 Item1, Article 24 of "Standards for Public Held Companies to Establish Internal Control Systems". 5 Item 2,Article 23of "Criteria for the Establishment of Internal Control Systems By Securities and Futures Service Enterprises"
15. The shareholders' rights of table motions	announcement of the shareholder's table motions 、 the place and the period to deal with those motions	The company should make an announcement including the shareholder's table motions 、 the place and the period to deal with those motions before the book closure date.	None	Article 172-1 of the Company Law

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		And also, the period, which we mention above, must be no less than 10 days.		
16.The system of nominates the directors and supervisors.	Announcement of the directors or supervisors nominating	<p>1.The company which adopts the nominate regulations should make an announcement including the directors or supervisors nominating period、the nominating number、the nominating place、and other necessary items. And also, the period, which we mention above, must be no less than 10 days.</p> <p>2.The company should make an announcement about the list of the nominees and their academic background, past experience, the number of their shareholdings, the name of the government or corporation which they represent and other related information. The announcement has to be made no later than 40 days prior to a regular shareholder meeting date (25 days prior to a special meeting date)</p>	None	Article 192-1 and 216. -1 of the Company Law
<p>II. Non-regular matters:</p> <p>1. An incident sufficient to affect stock prices and stockholders' equity.</p>	<p>1 Check returned due to insufficient funds, credit refused, or other loss of creditworthiness.</p> <p>2 Litigious, non-litigious cases, administrative disciplinary action, administrative suit, security procedures or compulsory execution has a severe impact on the company's finances or business.</p> <p>3 A severe production drop, complete or partial work stoppage, leasing out of company plant or major equipment, or mortgage of divided assets in entirety or major part severely affects</p>	Input information into the MOPS within two days of date after the occurrence.	None	<p>1 Article 36-3 and 36-4 of the Securities Exchange Law.</p> <p>2 Articles 7 of the Enforcement Rules of the Securities and Exchange Law.</p> <p>3. Securities and Futures Commission, Ministry of Finance (1) Document No.0910003639, June 28, 2002</p>

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	<p>company's operations.</p> <p>4 One of the circumstances listed in Paragraph 1, Article 185 of the Company Law occurs.</p> <p>5 A court has ruled in accordance with Article 287-1-5 of the Company Law that the company's stock may not be transferred.</p> <p>6 There is a change of president, general manager, or at least one-third of directors.</p> <p>7 Change of attesting CPA. Not applicable if the cause of change was internal changes in the accounting firm.</p> <p>8 Signing, revision, termination or dissolution of important memorandum, important contract, or strategic alliance or other joint business project; change in major content of business plan; successful development of trial product and start of mass production stage; purchase of other business; acquisition or sale of patent, exclusive trademark rights, copyright, or other intellectual property rights has a severe impact on the company's finances or business.</p> <p>9 Other major circumstances affecting company's continued operations.</p>			
<p>2 The Commission has approved for offering and issuing of securities.</p> <p>(1) announcement</p>	<p>Matters listed in Article 252 or Article 273 of the Company Law.</p>	<p>Must input relevant information into the MOPS within 30 days after receiving notification of approval from this Commission</p>	<p>None</p>	<p>1 Article 252 and Article 273 of the Company Law.</p> <p>2 Article 9-1-1 and Article 9-1-3 of "Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers."</p> <p>3 Securities and Futures Commission,</p>

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				Ministry of Finance (I) Document No.0910003639 of June 28, 2002
(2) Proof of full receipt of price in a restricted bank account.	Relevant information regarding the restricted bank account.	<p>1 Input information regarding the bank, date into the MOPS within two days of date after the signing the contract occurrence</p> <p>2 Payment may be made by the issuer or funds raiser only after a bank has received the full price in a restricted account, and information regarding receiving the full price must be input into the MOPS. 3 In case the issuer must notify this Commission of each disbursement, application letter must be sent to this Commission for reference prior to each disbursement</p>		<p>1. Article 9-1-2 of “Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers.”</p> <p>2 Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639 of June 28, 2002</p>
(3) Payment of stocks or corporate bonds.	Transfer of payment certificate and payment of stocks or corporate bonds to subscribers or applicants.	Relevant information must be input into the MOPS within the day after receiving notification of approval from the Ministry of Economic Affairs.	None	<p>1 Article 34 of Securities and Exchange Law.</p> <p>2 Articles 9-1-3 of “Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers.”</p> <p>3 Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639 of June 28, 2002</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
(4) Implementati on status of cash capital increase or corporate bond fund raising plan.	Quarterly report of cash capital increase of public offering company or corporate bond fund raising plans and fund utilization status.	<p>1. Within one day after receiving notification of approval from this Commission, information regarding basic data, offering status, project items, and scheduled progress should be input into MOPS.2. Within 10 days after the end of each quarter, the quarterly report on “the plan for capital increase by cash injection or corporate bond issuance and capital utilization” shall be input into MOPS.</p> <p>2. Where the capital raised by a TSE-listed and /GTSM-listed company has been restricted by this Commission for specific purpose(s), within 10 days after the end of each quarter.</p> <p>3. Where a listed or OTC company conducts a cash capital increase or corporate bond issue, it shall contact the original underwriter or the certifying 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 departure from the capital utilization plan, and within 10days 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.</p>	None	<p>1 Article 9-1-5~7 of “Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers.”</p> <p>2 Securities and Futures Commission, Ministry of Finance (I) Document No.00574 of February 8, 1999.</p> <p>3 Securities and Futures Commission, Ministry of Finance (I) Document No.091000363 of June 28, 2002.</p>
(5) Change in cash capital increase or corporate bond fund	<p>1 Minutes of board meeting.</p> <p>2. Letter of consent from competent authorities in charge of target industry. (Only if</p>	1 Relevant information shall be input into the MOPS within two days of passing by board of directors and submitted to stockholders’ meeting	None	<p>1 Article 9-1-9 of “Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers.”</p> <p>2 Article 11-1-6 of “Criteria</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
raising plan.	available) 3 Assessment opinions of original primary underwriter (only if available)	for confirmation afterward. *2 In accordance with Taiwan Stock Exchange or GreTai Securities Market Regulations, TSE- listed and GTSM- listed companies must hold a major explanatory press conference on the first business day after the board discusses and revises the plan, and must enter the plan together with an abstract of the assessment opinions of the original primary underwriter on the MOPS within two days of public announcement. From that time on, TSE- listed and GTSM- listed companies shall input into MOPS the original primary underwriter 's opinions concerning the reasonableness of the uses of funds not disbursed and fund implementation timetable together with "Public Offering Company Cash Capital Increase or Corporate Bond Issue Plan and Fund Utilization Status Quarterly Report" within ten days after the end of each quarter.		Governing the Handling Offering and Issuance of Overseas Securities by Securities Issuers." 3 Securities and Futures Commission, Ministry of Finance (I) Document No.03693 of December 22, 1998. 4 Securities and Futures Commission, Ministry of Finance (I) Document No.138830 of August 1, 2001. 5. Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639 of June 28, 2002.
(6) Information of corporate bonds issuance	1 Actual issuance proceeds, maturity, interest rate and repayment methods. 2 any change to the filed material for the first issuance of corporate bonds occurring within the scheduled issuance date in the event the issuer conducts a shelf registration to issue corporate bonds,	1. Within two 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 MOPS. 2. Any change to the filed material for the first issuance of corporate bonds occurring within the scheduled issuance date shall be	None	1 Article 9-1-5, Article 9-2, and Article 25 of "Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers." 2. Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639, June 28, 2002

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		input into the MOPS.		
(7) Status of requests for conversion (corporate bonds) and requests for exercising the warrant or option (bonds with warrants and preferred stocks with warrants.)	Issuers must quarterly disclose the amount of new shares issued under requests for conversion (corporate bonds) and requests for exercising the warrant or option (bonds with warrants and preferred stocks with warrants.)	Information shall be input into the MOPS within 15 days after the end of each quarter.	None	1 Article 14-4, Article 37-3 and Article 49-3 of "Criteria Governing the Handling Offering and Issuance of Securities by Securities Issuers." 2. Securities and Futures Commission, Ministry of Finance (1) Document No.0910003639, June 28, 2002
<input type="checkbox"/> (8) Status of issuance of overseas securities. ① item reported jointly : I the funds utilization plan and the status of funds utilization	Table of funds utilization plan and status of funds utilization	The issuer shall post the information to the reporting website specified by the FSC as follow: 1. Within ten days after the end of each quarter posting the funds utilization plan and the quarterly report on the status of funds utilization. #2. A company listed on a securities exchange or traded on an OTC market shall, on a quarterly basis, request the original securities underwriter or CPA to prepare an evaluation opinion on progress in	None	Article 11-3-3 and 11-3-4 of "Regulations Governing the Offering and Issuance of Overseas Securities by Issuers."

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		implementation of the funds utilization plan, the legitimacy of the purpose of the unused funds, and a statement concerning whether there has been any change to the plan. Within ten days after the end of each quarter, the issuer shall post such opinion together with the information referred to in the preceding subparagraph to the information reporting website specified by the FSC.		
II a change to the funds utilization plan,	1.The change of funds utilization plan 2. Requesting the original underwriter to issue an evaluation opinion on the progress of implementation of the funds utilization plan and the legitimacy of the purpose of the unused	1.The issuer shall register an amendment of the plan and, within two days after the amendment is approved by a resolution of the board of directors, the issuer shall make a related public announcement via the information reporting website specified by the FSC. The issuer shall also submit the change to a shareholders meeting for confirmation. 2.Where the funds utilization plan is amended, the issuer shall, upon such change and within ten days after the end of each subsequent quarter, also request the original underwriter to issue an evaluation opinion on the progress of implementation of the funds utilization plan and the legitimacy of the purpose of the unused.	None	Article 11-1-6 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”
III strategic investors or overseas securities subscribed by specific persons,	The subscription list and individual subscription prices and quantities,	If the underwrite plan has not yet been fully executed, (Before disclosing day) Disclosing in the prospectus and posting this information to the information reporting website designated by the FSC.	None	Article 11-2 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
<p>② Item reported separately :</p> <p>I Overseas depositary receipts</p> <p>a. Basic information</p>	<ol style="list-style-type: none"> 1. Total dollar amount, unit price, volume, and issue date of the overseas depositary receipts issue; provided, however, that if the overseas depositary receipts are for conversion of overseas corporate bonds, the issuer may opt to announce only the estimated number of units to be issued; 2. The number of shares of the underlying securities and their unit price; provided, however, that if the overseas depositary receipts are for conversion of overseas corporate bonds, the issuer may opt to announce only the estimated number of shares; 3. Place of issuance and transaction; 4. The issuer's reason for arranging for subscription by the specific person(s), the total number of units subscribed to by the specific person(s), total dollar amount, and the relationship between the specific person(s) and the issuer (the statement of issuance methods provides that a portion of the depositary receipts shall be subscribed to by specific person or persons); 5. The proceeds plan and the expected returns (where the issuer is sponsoring issuance of overseas depositary receipts through cash capital increase); 6. The name of the company involved in such acquisition or share exchange, the number of shares involved, the schedule for implementation and completion of the plan, the expected returns, the share exchange ratio, the method (and legitimacy thereof) for 	<p>The issuer shall, within two days after signing a deposit contract, make a public announcement on the information reporting website specified by the FSC. After the announcement of the items referred to in the preceding paragraph, should there be any change to any of these items, a public announcement of such change shall be made within two days after the closing of the offering.</p>	<p>None</p>	<p>Article 19 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>determining the value of the overseas depositary receipts for which the issuer is to sponsor issuance, and the method (and legitimacy thereof) for determining the value of the assets to be acquired by the issuer (the above disclosures are to be made where the issuer intends to acquire a foreign company, to acquire the shares of a foreign company, or to issue new shares for the purpose of an acquisition or split of a foreign company conducted in accordance with the law);</p> <p>7. The primary impact on shareholders' equity (e.g. expenses incurred by the issuer in sponsoring issuance of the overseas depositary receipts, impact on shareholding structure, etc.).</p>			
<p>b. The documents, the issuer shall submit to the FSC for recordation after issuance of the overseas depositary receipts</p>	<p>1. A prospectus prepared in accordance with the securities acts and regulations of the country where the offering took place; provided, however, that these requirements do not apply to the issuance of overseas depositary receipts for conversion of or subscription to overseas corporate bonds;</p> <p>2. a duplicate copy of the deposit contract;</p> <p>3. a duplicate copy of the custody contract;</p> <p>4. an opinion letter in Chinese issued by an ROC attorney-at-law confirming that there is no material discrepancy between the issuance rules and the particulars of the issuance as set forth in a registration that the FSC has allowed to become effective, or in an application that the FSC has approved;</p> <p>5. documentary evidence providing proof of</p>	<p>The issuer shall submit the documents mentioned within ten days after issuance of the overseas depositary receipts, If an issuer sponsoring issuance of overseas depositary receipts is required by a deposit contract to provide any information to a depositary institution, within three days after providing such information the issuer shall report such provision to the FSC for recordation.</p>	<p>None</p>	<p>Article 20 of "Regulations Governing the Offering and Issuance of Overseas Securities by Issuers."</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>deposit of funds collected in full;</p> <p>6.a list of those whose subscriptions account for 10 percent or more of the total value of the issue as well as the individual subscription prices and quantities thereof;</p> <p>7.other documents required by the FSC.</p>			
c .The documents, the issuer shall submit to the FSC for recordation monthly;	A Statement of Outstanding Balance of Overseas Depository Receipts and Securities Represented Thereby	After the issuance, the sponsor shall post separately, both by the 20th day and within five days after the end of each month, to the information reporting website specified by the FSC, and shall also submit a report to the competent authority for foreign exchange business for recordation	None	Article 21-1 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”
d .The documents, the depository institution issues additional overseas depository receipts, the issuer shall submit;	The total dollar amount of the overseas depository receipts, total units, and the number of the underlying securities,	In the event that the sponsor carries out a cash capital increase through a new share issue, a new share distribution from earnings, or a new share distribution from capital reserve, and the depository institution issues additional overseas depository receipts in a corresponding amount pursuant to Article 14, paragraph 1, subparagraph 2, the sponsor shall, within two days after issuance of the overseas depository receipts, report to the competent authority for foreign exchange business, and shall post the relevant information to the information reporting website specified by the FSC.	None	Article 21-2 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”
e .others	Where the issuer is sponsoring issuance of overseas depository receipts through capital increase, and its purpose in so doing is to acquire a foreign company, acquire the shares of a foreign company, or sponsor issuance of new shares for the purpose of an acquisition or split of a foreign company conducted in accordance with the law, the issuer shall request the original	The issuer shall, on a quarterly basis for the first year following completion of registration, post to the information reporting website specified by the FSC.	None	Article 11-1-5 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	underwriter to prepare an opinion evaluating the impact of such matters upon the issuer's financial operations, business operations, and shareholders' equity.			
<p>II Overseas corporate bonds</p> <p>a. Basic information</p>	<ol style="list-style-type: none"> 1. Total dollar amount of the offered overseas corporate bonds, the face value of each bond certificate, the issue price, and the projected date of issuance; 2. Interest rate(s) for the overseas corporate bonds to be offered; 3. Repayment method and term of maturity of the overseas corporate bonds to be offered; 4. Type of security (where the bonds are secured); 5. Conversion terms and important stipulations (where the issuance rules provide for conversion); 6. Method of warrant exercise and important stipulations (where the issuance rules set forth warrant exercise conditions) 7. Place of issuance and transaction; 8. The reason why a specific person(s) is being contacted to subscribe through negotiation (in the event that such is the case), the total number of certificates to be subscribed to by the specific person(s), the total dollar amount thereof, and the relationship between the specific person(s) and the issuer; 9. A funds utilization plan, and a statement of the 	<p>After the registration becomes effective or approval of application is granted, the issuer shall, within two days after pricing the offering, publicly announce the following matters on the information reporting website specified by the FSC: After the announcement of the items referred to in the preceding paragraph, should there be any change to any of these items, a public announcement of such change shall be made within two days after the closing of the offering.</p>	<p>None</p>	<p>Article 26 of "Regulations Governing the Offering and Issuance of Overseas Securities by Issuers."</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>expected benefits thereof;</p> <p>10. The principal impact on shareholders' equity.</p>			
<p>b. The documents, the issuer shall submit to the FSC for recordation after issuance of the overseas depositary receipts</p>	<ol style="list-style-type: none"> 1. A prospectus prepared in accordance with the securities acts and regulations of the country in which the bonds are offered; 2. A duplicate copy of the issuance agreement; 3. A duplicate copy of the deposit contract and custody contract (if the bonds are convertible or have warrants for the purchase of overseas depositary receipts); 4. A duplicate copy of the paying agency agreement; 5. A duplicate copy of the purchase agreement; 6. A duplicate copy of the trust deed; 7. An opinion letter in Chinese issued by an ROC attorney-at-law confirming that there is no material discrepancy between the issuance rules for the overseas corporate bonds and the particulars of the issuance as set forth in a registration that the FSC has allowed to become effective, or in an application that the FSC has approved; 8. Documentary evidence providing proof of deposit of funds collected in full; 9. A list of those whose subscriptions account for 10 percent or more of the total value of the issue as well as the individual subscription 	<p>After the registration becomes effective or application of approval is granted, the issuer shall submit the documents mentioned to the FSC within ten days; Any information that the issuer is required, pursuant to the acts and regulations of the country where the stocks are issued, to provide or disclose, shall also be filed with the FSC within three days after such provision.</p>	<p>None</p>	<p>Article 27 of "Regulations Governing the Offering and Issuance of Overseas Securities by Issuers."</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	prices and quantities thereof; 10.other items as specified by the FSC.			
c . The documents, the issuer shall submit to the FSC for recordation monthly;	A Statement of Outstanding Overseas Corporate Bonds	After the issuance, the sponsor shall post separately, both by the 20th day and within five days after the end of each month, to the information reporting website specified by the FSC, and shall also submit a report to the competent authority for foreign exchange business for recordation	None	Article 28-1 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”
d . The documents, the overseas investor shall submit to the FSC for recordation	Instances of warrant exercise by overseas investors	After conversion of the overseas corporate bonds or exercise of the warrants is accepted by an issuer, the issuer shall, within ten days after completion of a cash capital increase through a new share issue, report any instances of warrant exercise by overseas investors to the Investment Commission of the Ministry of Economic Affairs.	None	Article 28-2 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”
III Overseas stocks a .basic information	1. Where the offering is to raise funds; ① Number of shares issued, issue price per share, total issue size, and projected date of issuance; ② Place of issuance and transaction; ③ If the statement of issuance methods provides that a portion of the depository receipts shall be subscribed to by specific person(s), then the announcement shall state the purpose for subscription by the specific person(s) through negotiation, the total number of shares subscribed to by the specific person(s), the total dollar amount, and the relationship between the specific	1. Where the offering is to raise funds, a public announcement of the following particulars shall be made within two days after the issue pricing; 2. Where the offering is not for the purpose of raising funds, a public announcement of the following particulars shall be made within two days after listing, Should there be any change after the announcement or reporting of items referred to in subparagraph 1 of the preceding paragraph, a public announcement of such change shall be made and a report shall be filed with the FSC within two days after the	None	Article 34 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>person(s) and the issuer;</p> <p>④ the funds utilization plan and the expected benefits thereof (in the case of cash capital increase through a new share issue);</p> <p>⑤ The main impact on shareholders' equity (such as expenses incurred through issuance of overseas stocks, or impact on shareholding structure).</p> <p>2. Where the offering is not for the purpose of raising funds;</p> <p>① Number of shares listed, listed price per share, and total size of listing;</p> <p>② Place of listing;</p> <p>③ The main impact on shareholders' equity (such as expenses incurred through issuance, or impact on shareholding structure).</p>	closing of the offering.		
b. The documents, the issuer shall submit to the FSC for recordation after issuance of the overseas stocks.	<p>1. a prospectus prepared in accordance with the securities acts of the country where the stocks are issued; provided, however, that these requirements do not apply to cases where the shares have not been issued for the purpose of raising capital;</p> <p>2. a duplicate copy of the overseas stock service agency agreement;</p> <p>3. a duplicate copy of the custody contract;</p>	The issuer shall submit the documents mentioned to the FSC within ten days after issuance or listing; Any information that the issuer is required, pursuant to the acts and regulations of the country where the stocks are issued, to provide or disclose, shall also be filed with the FSC within three days after such provision.	None	Article 35 of "Regulations Governing the Offering and Issuance of Overseas Securities by Issuers."

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>4.an opinion letter in Chinese issued by an ROC attorney-at-law confirming that there is no material discrepancy between the issuance rules for the overseas stock issuance and the particulars of the issuance as set forth in a registration that the FSC has allowed to become effective, or in an application that the FSC has approved;</p> <p>5.documentary evidence providing proof of deposit of funds collected in full;</p> <p>6.a list of those whose subscriptions account for 10 percent or more of the total value of the issue as well as the individual subscription prices and quantities.</p> <p>7.other documents required by the FSC.</p>			
c.The documents, the issuer shall submit to the FSC for recordation monthly;	a Statement of Outstanding Balance of Overseas Stocks	After the issuance of overseas stocks, the issuer shall, both by the 20th day and within five days after the end of each month, post to the information reporting website specified by the FSC, and shall further report such issuance to the competent authority for foreign exchange business.	None	Article 36-1of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”
d.The documents, the issuer carries out a cash capital increase the issuer shall post.	The number of stocks issued and the total dollar amount	In the event that the issuer carries out a cash capital increase through an additional share issue, a new share distribution from earnings, or a new share distribution from capital reserve pursuant to Article 31, paragraph 1, subparagraph 2, the issuer shall, within two days after issuance thereof, report to the competent authority for foreign exchange business the number of stocks issued and the total dollar amount and post the relevant information to the information reporting website	None	Article 36-2 of “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers.”

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		specified by the FSC		
* (9) Implementation status of merger or target company's benefits	Ask the original primary underwriter of a company surviving in consequence of a merger or target company's to submit assessment opinions regarding the impact on the company's finances, operation and stockholder equity and if merger or target company's benefits come true.	Within a year after registration of merger or target company's, TSE-listed or GTSM-listed companies must input report in MOPS in ten days after the end of each quarter.	None	<p>1. Securities and Futures Commission, Ministry of Finance (1) Document No.04783, December 22, 1999</p> <p>2. Securities and Futures Commission, Ministry of Finance (1) Document No.0910003639, June 28, 2002</p> <p>3. Article 9, Paragraph 1, Subparagraph 8 of "Regulations Governing the Handling Offering and Issuance of Securities by Securities Issuers."</p> <p>4. Articles 11, Paragraph 1, Subparagraph 5 of "Regulations Governing the Handling Offering and Issuance of Overseas Securities by Securities Issuers."</p>
(10) Employee stock options	<ol style="list-style-type: none"> 1. Make public announcement for the main content of the requirements for issuance and subscription. 2. Input the status of the issuance 3. Where the issuer executes its contractual obligations using already issued shares, publicly announce the cost of the shares which it anticipates to obtain, the difference between the price of the employee stock options and the company's cost of obtaining the shares, and any effects on the shareholders' rights and interests. 	<ol style="list-style-type: none"> 1. On the day next following the arrival of the notification of effective reporting, 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 possibility of dilution of the shareholders' rights and interests shall also be publicly announced. 2. After the application takes effect, input the status of the issuance into the website specified by the FSC for 	None	Article 59 of "Criteria Governing the Offering and Issuance of Securities by Securities Issuers"

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		<p>reporting of information on the day following the issuance or the expiry of the issuance period.</p> <p>3. Where the issuer executes its contractual obligations using already issued shares, once the application with the FSC takes effect, the issuer shall, within two days of a directors' meeting resolving that the company shall repurchase its own shares for use as employee stock options 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 options and the company's cost of obtaining the shares, and any effects on the shareholders' rights and interests.</p> <p>4. Any change in the main content regarding the terms and conditions of the issuance as referred to 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 (2/3) 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</p>		
3 Private placement	For further information, please refer to Securities and Futures Commission, Ministry of Finance (1) Document No.112794, April 3, 2002and Securities and Futures Commission, Ministry of Finance (1) Document	1 Report after TSE-listed and GTSM-listed companies should input Private placements information into MPOS within 2 days after the date of mailing of the	None.	1.Paragraph 5 of Article 43-6 of the Securities and Exchange Law. 2. Securities and Futures Commission,

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	No.091000539, October 24, 2002 and Financial Supervisory Securities (1) Document No. 0940004469of October 11, 2005	<p>shareholders meeting notice. and in cases of the offerees who have already been arranged, within 2 days after the date of arranged date, and 2 days after the issue pricing, and the share payments or payments of the price of the corporate bonds or other securities have been made in full within 10 days after the end of each quarter.</p> <p>2 Within 15 days of the date the share payments or payments of the price of the corporate bonds or other securities have been made in full, the company shall input relevant information to MOPS. A company carrying out private placement of overseas securities must submit the report regarding such information input into MOPS to the competent authorities in charge of foreign exchange services.</p> <p>3 A company carrying out private placement of bonds must input information regarding the balance of bonds to MOPS prior to the tenth day of each month. A company carrying out private placement of overseas securities must submit the report regarding the information input into MOPS to the competent authorities in charge of foreign exchange services.</p>		<p>Ministry of Finance (1) Document No.176305, December 25, 2001</p> <p>3. Securities and Futures Commission, Ministry of Finance (1) Document No.112794, April 3, 2002</p> <p>4. Securities and Futures Commission, Ministry of Finance (1) Document No.0910003639, June 28, 2002</p> <p>5. Securities and Futures Commission, Ministry of Finance (1) Document No.0910005390, October 24, 2002</p> <p>6. Securities and Futures Commission, Ministry of Finance (1) Document No.0920001991, May 8,2003</p> <p>7. Securities and Futures Commission, Ministry of Finance (1) Document No.0920001992, may 8,2003</p> <p>8. Financial Supervisory Securities (1) Document No. 0940004469of October 11, 2005.</p>
4 Acquisition or disposal of assets.	<p>For further information, please refer to "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies"</p> <p><i>(Including acquisition or disposal of important securities, real estate, other</i></p>	<p>1 Must input relevant information into MOPS within two days of the date after the occurrence.</p> <p>2 Companies participating in merger, target companies, and acquisition</p>	None	<p>1 Article 36-1 of Securities and Exchange Law.</p> <p>2 Securities and Futures Commission, Ministry of Finance (I) Document</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<i>fixed assets and intangible assets, derivative instrument transaction, merger, target company's, issuance of new shares due to acquisition of the shares of another company, and investment in mainland China)</i>	of shares of another company must have the approval of the FSC in advance if they cannot hold board meetings on the same day or hold shareholders meetings on the same day.		No.0910003639 of June 28, 2002. 3 "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies"
5. Endorsement and Guarantee	For further information, please refer to "The Guidelines for the Lending of Capital, Endorsements and Guarantees by Public Companies"	Must input relevant information into MOPS within two days of the date after the occurrence	None	1 Article 36-1 of Securities and Exchange Law. 2 "The Guidelines for the Lending of Capital, Endorsements and Guarantees by Public Companies" 3 Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639 of June 28, 2002.
6. Capital lending	Ditto	Ditto	None	1 Article 36-1 of Securities and Exchange Law. 2 "The Guidelines for the Lending of Capital, Endorsements and Guarantees by Public Companies" 3 Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639 of June 28, 2002.
7 Basic company information		A company conducting initial public offering must input relevant information to MOPS after effective registration or any changes regarding basic information	None	1. Notice accompanying letter from the Commission notifying company of effective registration. 2. Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639 of June 28, 2002.
8 Financial forecasts.	1 Financial forecast.	A. Announcements and reports within two days °	* 1 Taiwan Stock Exchange.	1 Securities and Futures Commission, Ministry of Finance (6) Document

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
	<p>2 Case checklists.</p> <p>3 Minutes of board meeting.</p>	<p>B. A public company that must publish a complete financial forecast because of a circumstance under Article 6 of Regulations Governing Publication of Financial Forecasts of Public Companies shall publicly announce and report within 10 days from the date it receives the notice to prepare the report.</p> <p>C. When a summary financial forecast is corrected or updated must be announced and reported.</p> <p>D. When a financial forecast is corrected 、 updated or re-prepared, the portions of the original forecast that cannot be used and their impact must be announced and reported within two days of the date of their discovery, and a corrected 、 updated or re-prepared forecast must be announced and reported within ten days of the date of discovery.</p> <p>E. When a complete financial forecast shall re-prepared , but the basic assumptions for the financial forecast did not change materially , the management level of the company must input information about the basic assumptions are effective into the MOPS within ten days of the date of occurrence, and, if the financial forecast was reviewed by a CPA, also shall input into a CPA's opinion.</p>	<p>* 2 GreTai Securities Market.</p> <p>3.4 Securities and Futures Institute</p>	<p>No.02435 of April 9, 1997.</p> <p>2. Securities and Futures Commission, Ministry of Finance (6) Document No.005847 of Oct.26, 2001.</p> <p>3. Securities and Futures Commission, Ministry of Finance (I) Document No.0910003639of June 28, 2002.</p> <p>4. Securities and Futures Commission, Ministry of Finance (6) document No.0910005765 of November 14,2002.</p> <p>5. Securities and Futures Commission, Ministry of Finance (6) Document No.0910005771 of November 14,2002.</p> <p>6. Securities and Futures Commission, Ministry of Finance (6) Document No.0910006093 of December 9, 2002.</p> <p>7. Securities and Futures Commission, Ministry of Finance (6) Document No. 0920000765 of February 11, 2003.</p> <p>8. Financial Supervisory Securities (6) Document No. 0930005938of December 9, 2004.</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
<p>9.Change of accounting principles</p> <p>(1) Approval of application</p>	<p>1 Application (containing reasons for and theoretical basis of change in accounting principles, specific evidence of superiority of new accounting principles, and cumulative impact number of change of accounting principles), follow-up audit opinions of CPA.</p> <p>2 Minutes of board meeting.</p>	<p>An application must be made to the Commission at the end of the year prior to the planned change of accounting principles.</p>	<p>*1 Taiwan Stock Exchange.</p> <p>*2 GreTai Securities Market.</p> <p>*3 Chinese Securities Association.</p> <p>4 Securities and Futures Institute</p>	<p>Article 6 of “Guideline Governing the Preparation of Financial Reports by Securities Issuers.”</p>
<p>(2) announcement after The Commission has approved the application</p>	<p>1 the cumulative impact figures of accounting principle changes,</p> <p>2 follow-up audit opinions of CPA</p>	<p>Must input relevant information into the Market Observation Post System (MOPS) after receiving notification of approval from this Commission</p>	<p>None</p>	<p>Article 6 of “Guideline Governing the Preparation of Financial Reports by Securities Issuers.”</p>
<p>(3) Renorting and announcing of cumulative impact figures.</p>	<p>1Cumulative impact figures of accounting principle changes.</p> <p>2 Analysis of the reason for the difference and CPA’s opinion if the difference between the actual cumulative effect of a change in accounting principles and the original estimated cumulative effect of a change in accounting principles is \$10 million New Taiwan Dollars (NTD) or more and if the amount is also one percent or more of net operating revenues for the previous year or more than five percent of total paid-in capital.</p>	<p>Unless it is not possible to calculate the cumulative impact figures of accounting principle changes, the actual cumulative impact figures of the change of accounting principles must be calculated and reported to this commission after submission to board of directors within two months after the beginning of the fiscal year in which the new accounting principles are adopted. If the difference between the actual cumulative effect of a change in accounting principles and the original estimated cumulative effect of a change in accounting principles is \$10 million New Taiwan Dollars (NTD) or more and if the amount is also one percent or more of net operating revenues for the previous year or more than five percent of total paid-in capital, The</p>	<p>*1 Taiwan Stock Exchange.</p> <p>*2 GreTai Securities Market.</p> <p>*3 Chinese Securities Association.</p> <p>4 Securities and Futures Institute</p>	<p>Article 6 of “Guideline Governing the Preparation of Financial Reports by Securities Issuers.”</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
		analysis and the affecting CPA's opinion shall be publicly announced and reported to the FSC.		
# 10 Accounting estimate changes (changes in service life of depreciable and depletable assets, and in periods benefited by effective period of intangible assets). (1) Approval of application	1 Application (containing reason for and theoretical basis of accounting estimate changes and specific evidence of superiority of new accounting estimates), and reviewing opinions of CPA. 2 Minutes of board meeting.	An application must be made to the Commission at the end of the year prior to the planned adoption of new accounting estimates.	*1 Taiwan Stock Exchange. *2 GreTai Securities Market. *3 Chinese Securities Association 4 Securities and Futures Institute.	Article 6 of "Guideline Governing the Preparation of Financial Reports by Securities Issuers."
(2) announcement after The Commission has approved the application	1 the impact figures of accounting principle changes, 2 follow-up audit opinions of CPA	Must input relevant information into the Market Observation Post System (MOPS) after receiving notification of approval from this Commission	None	Article 6 of "Guideline Governing the Preparation of Financial Reports by Securities Issuers."
11. Reporting of repurchase of company shares by a TSE-listed or GTSM- listed company.	In accordance with Article 28-2-1 of the Securities and Exchange Law, a TSE-listed or GTSM- listed company may, with the consent of at least one-half of all directors when at least two-thirds of the board is in attendance, may repurchase its shares on a centralized exchange market or an over-the-counter market for the purpose of transferring shares to employees, converting equity, or maintaining the company's credibility and stockholders equity.	1. The company must make an announcement and report to this commission within two days of board resolution. 2. Please download the relevant reporting form from the Commission's website. (www.sfb.gov.tw)	None	1 Article 28-2 of Securities and Exchange Law. 2 Article 2 of "Regulations Governing Repurchase of Company Shares by a TSE-listed or GTSM- listed Company."

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
12. Reporting before transferring stocks	<p>1. Before change to share ownership of the company's board directors, supervisors, managers, and shareholders holding 10 percent or more of the company's stocks, they should report to the TSE or OTC, and send the same report to the company.</p> <p>2. The company should transfer the report to Market Observation Post System at the same time after receiving the report.</p>	The company should transfer the report to Market Observation Post System before 17:30 daily.	None	<p>1. Article 22-2 of the Securities and Exchange Law</p> <p>2. Securities and Futures Commission, Ministry of Finance (3) Document No.0910003657, July 1, 2002</p> <p>【 Relevant filing forms can be downloaded from the Securities and Futures Commission website (www.sfb.gov.tw)】</p>
13. Report after TSE-listed or GTSM-listed companies repurchased accounts for at least two percent of the shares, or accumulative value of shares repurchased amounts to at least NT\$300 million	Each time that the accumulative number of shares repurchased accounts for at least two percent of the shares issued by the company or the accumulative value of shares repurchased amounts to at least NT\$300 million, the company shall, within two days, make an announcement of the date, number, type, and price of the shares, and report the same to the Commission.	<p>1 Each time that the accumulative number of shares repurchased accounts for at least two percent of the shares issued by the company or the accumulative value of shares repurchased amounts to at least NT\$300 million, the company shall, within two days, make an announcement of the date, number, type, and price of the shares, and report the same to the Commission.</p> <p>2 Please download the relevant reporting form from the Commission's website. (www.sfb.gov.tw)</p>	None	<p>1 Article 28-2 of Securities and Exchange Law.</p> <p>2 Article 3 of "Regulations Governing Repurchase of Company Shares by a TSE-listed or GTSM-listed Company."</p>
14. Report after TSE-listed and GTSM-listed companies completes repurchase of	Company completes repurchase of company shares or repurchase period ends	1. The company must make an announcement and report to the Commission within five days at the end of repurchase period or the	None	<p>1 Article 28-2 of Securities and Exchange Law.</p> <p>2 Article 5 of "Regulations Governing Repurchase of Company Shares by a</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
company shares or repurchase period ends.		<p>completion of repurchase.</p> <p>2. Please download the relevant reporting form from the Commission's website. (www.sfb.gov.tw)</p>		TSE-listed or GTSM-listed Company.”
15. Report of change in original objective of stock repurchases.	A company may, with the consent of at least one-half of all directors when at least two-thirds of the board is in attendance, may change the original objective of a stock repurchase.	A company may report to the Commission a change in the original objective of a stock repurchase within two months after the day on which the company's previously reported company share repurchase period ended.	None	<p>1 Article 28-2 of Securities and Exchange Law.</p> <p>2 Article 2 of “Regulations Governing Repurchase of Company Shares by a TSE-listed or GTSM-listed Company.”</p>
16. Prospectus	Prospectus (include issuance of overseas securities)	<p>1. The draft prospectus shall be posted, as an electronic file in the format prescribed by the FSC, to the information reporting website specified by the FSC and, within thirty (30) days from the date of effective registration or receipt of the FSC's approval notice, the final amended/revised prospectus shall be posted, as an electronic file in the format prescribed by the FSC, to the information reporting website specified by the FSC.</p> <p>2. Prospectus prepared in accordance with the securities laws of the country where the offering and issuance of overseas securities consists of overseas depositary receipts and issuance of overseas corporate bonds, overseas stocks took place shall Input information into the MOPS within ten days after issuance of the overseas securities.</p>	<p>* 1 Taiwan Stock Exchange.</p> <p>* 2 GreTai Securities Market.</p> <p>3 Chinese Securities Association.</p> <p>4 Securities and Futures Institute</p>	<p>1. Article 30 of Securities and Exchange Law.</p> <p>2. Article 6 of “Regulations Governing the Handling Offering and Issuance of Securities by Securities Issuers.”</p> <p>3. Criteria Governing Information to be Published in Public Offering and Issuance Prospectuses.</p> <p>4. Securities and Futures Commission, Ministry of Finance (1) Document No. 0910003639, June 28, 2003</p> <p>5 Article 19、27 and 36 of “Criteria Governing the Handling Offering and Issuance of Overseas Securities by Securities Issuers.”</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
17.The public company is the offerer and conduct public tender offer or competitive public tender offer	Public Companies conduct public tender offer according to Regulations Governing Tender Offers for Purchase of the Securities of a Public Company	<p>1.Any public tender offer to purchase the securities of a public company shall not be made until after a report has been filed with the FSC and a public announcement made.</p> <p>2.For any competitive public tender offer for securities issued by the same public company, a report of public tender offer shall be filed with the FSC and a public announcement made at least five trading days prior to the expiry date of the original public tender offer period.</p>	<p>1.Securities Association</p> <p>2.The Securities and Futures Institution.</p> <p>3.TSE or Gretai Securities Market.</p> <p>4.The Taiwan Securities Depository Company.</p> <p>5 The public company whose the securities are being acquired</p>	<p>1.Paragraph 2 of Article 43-1 of the Securities and Exchange law</p> <p>2.Article7 and Article 26 of the Regulations Governing Tender Offers for Purchase of the Securities of a Public Company , and the Financial Supervisory Commission (3)Document No.0940002714 of June 22, 2005.</p>
18.The public company whose the securities are being acquired	The public company whose the securities are being acquired shall, within seven days after its receipt of the Public Tender Offer Report Form delivered to it by the Offerer shall report related items in writing to the FSC	Within seven days after its receipt of the Public Tender Offer Report Form delivered by the Offerer.	<p>1.Securities Association</p> <p>2.The Securities and Futures Institution.</p> <p>3.TSE or Gretai Securities Market.</p> <p>4.The Taiwan Securities Depository Company.</p>	<p>1.Paragraph 4 of Article 43-1 of the Securities and Exchange law</p> <p>2.Article 14 and Article 26 of the Regulations Governing Tender Offers for Purchase of the Securities of a Public Company</p>
19.The public company is the Offerer buying back its own shares.	An Offerer buying back its own shares in accordance with Article 28-2 of the Securities and Exchange Law	Before the commencement date of the public tender offer period.	Bureau of monetary affairs(suitable for financial holding company 、 bank 、 bill	<p>1.Paragraph 4 of Article 43-1 of the Securities and Exchange law</p> <p>2.Article 10 and Article 26 of the</p>

Items to be announced publicly or filing	Summary of contents	Deadline for public announcement or filing	Agencies to which copies should be sent	Legal basis
			financial company) or Insurance Bureau (suitable for insurance company)	Regulations Governing Tender Offers For Purchase of the Securities of a Public Company , and the Financial Supervisory Commission (3)Document No.0940002714 of June 22, 2005.
20.The public company is the Offerer and make modifications to conditions in Public Tender Offer	The public company is the Offerer and Make modifications to conditions in Public Tender Offer	Before making any modifications to conditions.	1.Offeree. 2.The appointed institution takes deposit of securities 3.The public company whose the securities are being acquired	1.Paragraph 4 of Article 43-1 of the Securities and Exchange law 2.Article 17 and Article 26 of the Regulations Governing Tender Offers for Purchase of the Securities of a Public Company
21.The public company is the Offerer and terminate a public tender offer	The termination of a public tender offer proceeding is approved by the FSC	When termination of a public tender offer proceeding is approved by the FSC, public announcement shall be made within two (2) days of receiving FSC approval.	1.Offeree. 2.The appointed institution takes deposit of securities 3.The public company whose the securities are being acquired	1.Paragraph 4 of Article 43-1 of the Securities and Exchange law 2.Article 21 and Article 26 of the Regulations Governing Tender Offers for Purchase of the Securities of a Public Company
22. The public company is the Offerer and the public tender offer's condition has been accomplished	Before the expiration of the period, the acquired securities has reached the minimum volume of the public tender offer	When the condition of the public tender offer' has been accomplished, the public announcement should be made immediately	The appointed institution takes deposit of securities	1.Paragraph 4 of Article 43-1 of the Securities and Exchange law 2.Article 19 and Article 26 of the Regulations Governing Tender Offers for Purchase of the Securities of a Public Company
23.The public company is the Offerer and the public tender offer period's expires	The public company is the Offerer and the public tender offer period's expires.	Within two (2) days from the public tender offer period's expiration date.	Informing the Offeree on the date of reporting to the FSC and publicly announcement.	1.Paragraph 4 of Article 43-1 of the Securities and Exchange law 2.Article 21 and Article 26 of the Regulations Governing Tender Offers for Purchase of the Securities of a Public Company

Notes:

1. “*” Indicates that a publicly-held company whose stock is not yet listed on TSE or GTSM is temporarily exempt from this requirement; and unless there is a specific note, a company whose stock is traded in the Emerging Market is also temporarily exempt from this requirement.
2. “#” indicates that companies are not required to upload these materials to this institute’s website (<http://sii.tse.com.tw/>).
3. When a publicly-held company makes a public announcement, it must input relevant information into the Market Observation Post System (MOPS) ◦ (<http://sii.tse.com.tw/>)
4. According to Regulations Governing the Handling Offering and Issuance of Securities by Securities Issuers, the prospectus prepared for the registration (application) for public offer and/or issue of securities shall transmit it to the MOPS in electronic file format and get the approved notice from Taiwan Stock Exchange.
5. When a publicly-held company makes a public announcement into the Market Observation Post System, except where specified below, no copy need to be sent :
 - A. Report the below listed items to the Financial Supervisory Commission (FSC):
 - (1) Report of stock repurchase : including basic information, criteria, period ends, and transferring stock.
 - (2) Financial reports(including yearly financial reports, half - yearly financial report, Q1, Q3 financial report) and financial forecasts.
 - B. Agencies to which copies should be sent:
 - (1) Financial reports (including yearly financial reports, half - yearly financial report, Q1, Q3 financial report) and financial forecasts: copies sent to the Securities and Futures Institute. Listed company must submitted copies to Taiwan Stock Exchange, and company whose shares are traded in the business places of securities firms must submitted copies to GreTai Securities Market.
 - (2) Annual report: copies sent to the Securities and Futures Institute and Chinese Securities Association. Listed company must submitted copies to Taiwan Stock Exchange, and company whose shares are traded in the business places of securities firms must submitted copies to GreTai Securities Market.
 - (3) Prospectus: copies sent to the Securities and Futures Institute and Chinese Securities Association. Listed company must submitted copies to Taiwan Stock Exchange; and company whose shares are traded in the business places of securities firms must submitted copies to GreTai Securities Market.
6. If a company making a public offering is a futures dealer (including companies that deal in futures among other service items), announcements must also be sent to the Chinese National Futures Association and the Taiwan Futures Exchange.
7. Securities and futures dealers shall comply with any specific regulations applicable to their types of business.

Appendix II

List of Short-Swing Profit Disgorgement Against Insiders (1994-2005)

Year	No. of Total Cases	Accrued Disgorged Amount	No. of Disgorged Cases	Realized Disgorged Amount
1994*	84	80,270,024	84	77,717,537
1995	186	83,820,842	186	73,178,590
1996	215	172,609,117	215	153,304,443
1997	420	265,702,636	418	169,081,856
1998	353	986,116,196	342	111,296,617
1999	416	224,869,824	415	176,178,874
2000	441	233,376,966	433	173,966,590
2001	321	83,974,981	316	82,212,818
2002	351	106,453,696	337	102,272,653
2003	501	45,722,496	474	35,973,078
2004	634	85,406,589	582	63,926,699
2005	358	44,380,418	351	41,711,342
Total	4,280	2,412,495,762	4,238	1,301,702,120

1. 1994*(1994/06-1994/12)

2. Source: Securities and Futures Investors Protection Center, <http://www.sfipc.org.tw/english/main.aspx>, March 2007.