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**Compliance Brochure for
Directors and Supervisors of TWSE/TPEX-Listed and Emerging Market Companies**

Taiwan Stock Exchange Corporation (TWSE)

Taipei Exchange (TPEX)

May, 2024

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INDEX

Chapter 1 Preface	3
Chapter 2 Current Regulations on the Shareholdings of the Insiders	4
Section 1 Definition and Scope of the Insiders	4
Section 2 Insiders' Obligations	6
1. Ex-ante Filing of Share Transferring.....	6
2. Ex-post Filing of Shareholdings Movement	10
3. Maintenance of the Minimum Shareholding by Directors and Supervisors (Since the Securities and Exchange Act §165-1 does not apply mutatis mutandis to §26, this rule does not apply to foreign TWSE (or TPEX) primary listed companies or foreign emerging stock companies.	12
4. Selling Restrictions During the Implementation Period of the Treasury Shares.....	14
5. Reporting Acquisition and Changes of Substantial Shareholdings	15
6. Restriction on Short-term Trading	19
7. Restriction on Insider Trading	23
Section 3 Legal Liabilities on the Insiders	25
Chapter 3 Some Common Violations with respect to the Filing Duty of Insiders	26
Chapter 4 Securities and Exchange Act List of the Regulations of the Directors and Supervisors	28

Chapter 1 Preface

Given the securities market is not only a channel for the business and industry to raise capital but also a channel for the public to make the investments by utilizing their savings, there is a need to establish a fair, just and public securities market in order to effectively raise the funds saved by the public to invest in the business and industry and to facilitate the same to acquire the middle/long term capital. Via which, the business and industry may expand their production scale or improve the production technique to achieve the goal of the economic development. These are the priority of the securities market governance and the shareholding movement of the insiders and their related persons also deeply affects the fairness and justice of the securities market.

The directors, supervisors, managers and the major shareholders (collectively, "Insiders") might either be the management of the company or the controller. With such special background and absolute advantage on the access to the financial and business information of the company, it is obviously unfair if the Insiders use the non-public information to engage in the trading. Furthermore, the Insiders generally hold significant number of shares of the company so that the transfer of their shareholding may also have certain impacts on the stability of the company's operation and the trades in the securities market. Such being the case, to prevent the Insiders of the company from manipulating the stock price by transferring their shareholding or engaging in the insider trading, which will harm the rights and interests of the investors, and to maintain the trading orders in the securities market and the fairness of the trading, various countries around the world strengthen their governance on the trading of the Insiders of the company. The focus is the "principle of equal access to the information", namely, the Insiders' shareholding is required to be disclosed so that the investors may be aware the shareholding change of the important personnel of the company in order to monitor the same and to prevent the illegal conduct. In addition, people may understand the company's future operation prospects through the information of shareholding movement which may serve as a reference for their investment decisions.

To strengthen the concept on laws of the company's directors and supervisors, their regulatory obligations under the Securities and Exchange Act ("SEA") and their understanding on the liabilities of breaching the obligations, we hereby produce the "**Compliance Brochure for Directors and Supervisors**" as a reference of the obligations to be complied by the directors and supervisors of the relevant TWSE/TPEX-listed companies and the companies traded in the emerging stock market and also for their reference. We hope that this may reduce the violation cases and implement the management of the Insiders' shareholding.

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Chapter 2 Current Regulations on the Shareholdings of the Insiders

Section 1 Definition and Scope of the Insiders

The scope of the company Insiders defined under the SEA includes the public company's directors, supervisors, managers, and shareholders holding more than 10% of the total issued shares. The related persons of the Insiders include: (i) the Insider's spouse, minor children, and third parties whose names were used to hold the shares for the Insiders ("Nominees"); (ii) the representatives of the juristic person directors (supervisors), their spouses, minor children, and Nominees; and (iii) the directors, supervisors and managers of the subsidiary being 100% held by a financial holding company, and their spouses, minor children, and Nominees. All the persons mentioned above are also Insiders of the company. As to the subjects regulated by the insider trading, except for the persons mentioned above, it also include any person who has learned the information by reason of occupational or controlling relationship and the tippees who receive information from the Insiders.

1. Directors and Supervisors

Article 2 of the SEA provides that the regulation and supervision of public offering, issuing, and trading of securities shall be governed by this Act; such matters not provided for in this Act shall be governed by the provision of the Company Act and other relevant acts. Such being the case, the persons with the title of director or supervisor under the Company Act are deemed the director and supervisor regulated by the SEA, regardless whether they are actually performing the duty of director or supervisor.

2. Managers

According to Article 29 of the Company Act, a company may set up a position of manager according to its Articles of Incorporation. To clearly define the scope of the manager, the Financial Supervisory Commission ("FSC") issued a ruling on October 4, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384295) that the managers regulated by Articles 22-2, 25, 28-2, 157 and 157-1 of the SEA refer to (i) General Manager or the person with equivalent level; (ii) Deputy General Manager or the person with equivalent level; (iii) Vice President or the person with equivalent level; (iv) Head of the Finance Department; (v) Head of the Accounting Department; and (vi) any other persons who are authorized to manage the affairs and sign for the company.

3. Major Shareholders

The major shareholders regulated by the SEA refer to those holding more than 10% of the total shares. The calculation basis of the total shares refers

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to the shares "issued" by the company. Accordingly, shares yet to be issued by the company will not be counted and the provision also limits to those holding "more than" 10% so that a shareholder holding 10% of the total shares is not regulated.

4. Representatives of Juristic Person Director (Supervisor)

According to Paragraphs 1 and 2 of Article 27 of the Company Act, where a government agency or a juristic person acts as a shareholder of a company, it may be elected as a director or supervisor in the capacity of the juristic person itself, or appoints a natural person to be elected as a director or supervisor in the capacity of such judicial person's representative. It is clear without a question that those elected as a director or supervisor in his/her own capacity shall be regulated by Articles 22-2, 25, 157, 157-1 and Paragraph 6 of Article 28-2 of the SEA, with respect to the shareholding of the directors and supervisors. However, for the nature person who is appointed by the juristic person being elected in his/her own capacity to perform the duty of the director or supervisor, and the government agency or juristic person which is represented by the nature person being elected in his/her own capacity, though they are formally at the position of the director or supervisor, from the view of the legislation purpose, the former "representative appointed by the juristic person" is the one who actually performs the duty of the director or supervisor and has access to the internal information of the company so that it may contradict with the legislation purpose if such representative is exempted; the latter "juristic person itself" though is not elected as the director or supervisor in its own capacity but is the one who actually holds the shares and has controlling power on how its representative performs the duty of the director or supervisor and access to the internal information of the company so that, the stock trading by such juristic person shall be regulated as well as those made by its representative. According to the ruling issued by the FSC on July 29, 2021 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1100362962) and the ruling dated November 1, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu- Zi-11203842022), Articles 22-2, 25, 157, 157-1 and Paragraph 6 of Article 28-2 of the SEA, with respect to the shareholding of the directors and supervisors, are also applicable to the nature person who represents the juristic person to perform the duty of the director or supervisor, and the government agency or juristic person being represented.

5. Spouse, Minor Children and Nominees

To prevent the director, supervisor, manager and major shareholder from holding the shares in the names of their spouse, minor children or Nominees in order to circumvent the relevant regulations of the Insider's shareholding, the relevant provisions of the SEA also provide that their shareholding shall also be included. "The third party who holds the shares for the Insider" (i.e. Nominees) refers to the person who meets the following qualifications according to Article 2 of the Enforcement Rules of the SEA:

- (i) directly or indirectly provides shares to third parties, or provides funds to third party to purchase such stocks;
- (ii) has the rights and benefits to manage, utilize, or dispose the stocks held by such third party;
- (iii) being entitled to the whole or partial portions of profits or losses of stocks held by such third party.

In addition to the directors, supervisors, managers and major shareholders, the regulations above are also applicable to the representative of the juristic

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person director (supervisor) and the insiders of the subsidiaries of a financial holding company.

6. Insiders of the Subsidiaries of a Financial Holding Company

According to the ruling issued by the FSC on October 5, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu- Zi-1120384403), for a subsidiary wholly owned by a financial holding company by means of "business transfer" or "share swap" under the Financial Holding Company Act ("Subsidiaries"), the directors, supervisors, managers of the Subsidiary and their spouses, minor children and Nominees are also required to report their shareholding in such financial holding company according to Articles 22-2 and 25 of the SEA.

Section 2 Insiders' Obligations

Insiders' obligations imposed by the SEA include seven items, such as **prior filing for the share transfer, post filing for the shareholding change, minimum shareholding of the directors and supervisors, selling restriction during the execution period of the treasury stocks, filing for the substantial acquisition of the shares and shareholding change, prohibition against short-term trading and insider trading**. We hereby illustrate the regulations contents and relevant management measures of the respective obligations below:

1. Ex-ante Filing of Share Transferring

(1) According to Article 22-2 of the SEA, the transfer of shares by the Insiders (including their spouses, minor children and Nominees) shall be effected in accordance with any of the following methods:

- to transfer to non-specific person following approval from or an effective registration with the competent authority (Subparagraph 1 of Paragraph 1).
- to transfer, at least three (3) days following filing with the competent authority, on a centralized exchange market or an over-the-counter market, shares that have satisfied the holding period requirement and within the daily transfer allowance ratio prescribed by the competent authority. However, this requirement shall not apply to transfers totaling less than 10,000 shares per trading day (Subparagraph 2 of Paragraph 1).
- to transfer, within three (3) days following filing with the competent authority, to specific persons meeting the qualifications prescribed by the competent authority (Subparagraph 3 of Paragraph 1, and if such specific person would like to transfer such stocks, he/she shall adopt any of the three (3) methods above).

A. Subparagraph 1 of Paragraph 1 (transfer to non-specific person) (re-issuance)

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According to the ruling issued on March 16, 2015 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1040006799), the share transfer by the Insiders of the company to "non-specific persons" pursuant to Subparagraph 1 of Paragraph 1, is "**re-issuance**", for which the public offering requirements prescribed in the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" issued by the Securities and Future Bureau ("SFB") shall apply. The re-issuance shall be effected following the approval or effective filing with the SFB. According to the Regulations Governing the Offering and Issuance of Overseas Securities by Issuers, the applicant who applies for issuing offshore depositary receipts underlying the shares held shall apply for the approval of the same with the SFB.

B. Subparagraph 2 of Paragraph 1 (transfer on a centralized exchange market or an over-the-counter market) (applicable to TWSE/TPEX-listed and emerging stocks) (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1040006799)

See below the requirements of the "holding period" and "daily transfer allowance ratio" in this subparagraph:

* "Holding period": It refers to six (6) months following the date that the Insiders of the company acquire such identity. He/she may not transfer his/her shareholding until the expiry of such period. It is also applicable to their spouses, minor children, Nominees and the representative of the juristic person (including the representative's spouses, minor children and nominees).

* "Daily transfer allowance ratio": The maximum daily transfer amount by the Insiders of the relevant TWSE/TPEX-listed and emerging market companies during the midday trading are below, the transfer amount is restricted except the approach in (c) is adopted:

- (a) For the daily transfer allowance ratio of TWSE/TPEX -listed stocks, one of the following methods shall be adopted for calculation:
 - (i) 0.2 % for the portion of 30 million shares issued; 0.1% for the portion exceeding 30 million shares issued.
 - (ii) 5% of the average daily trading volume (shares) in the stock market during the ten business day period prior to the filing date.
- (b) 1% of the total issued shares for the emerging market stocks.
- (c) Exceptions: The transfer made by any of the following four methods is not subject to the restrictions on the "daily transfer allowance ratio":
 - (i) Those handled according to the "Taiwan Stock Exchange Corporation Rules Governing Auction of Listed Securities by Consignment."
 - (ii) Those who engage a securities broker to participate in the auction according to the "Taiwan Stock Exchange Corporation Rules Governing Purchase of Listed Securities by Reverse Auction" and "Taipei Exchange Rules Governing Reverse Auction of TPEX Listed Securities."
 - (iii) Those trades executed according to the "Taiwan Stock Exchange Corporation Regulations Governing After-Hours Fixed-Price Trading" and "Taipei Exchange Regulations Governing After-Hour Fixed-Price Trading."
 - (iv) Those trades executed according to the "Taiwan Stock Exchange Corporation Rules Governing Block Trading of Listed Securities"

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and "Taipei Exchange Regulations Governing Block Trading of TPEX Listed Securities."

* The transfer period filed shall not exceed one (1) month, provided that the filing shall be re-submitted where the transfer period is expired.

C. Subparagraph 3 of Paragraph 1 (transfer to specific persons)

FSC or SFB has issued the following rulings to define the scope of the "specific person" (and if such specific person intends to transfer his/her shares within one (1) year, he/she shall still adopt one of the methods prescribed in Subparagraphs 1 to 3 of Paragraph 1 of Article 22-2 of the SEA)"

- (i) Ruling issued on October 5, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384504) (applicable specific persons to the TWSE/TPEX - listed and public companies).
- (ii) Ruling issued on November 8, 2001 (Ref. No.: (90)-Tai-Tsai-Zheng-(3)-Zi-163991) (persons who conduct public offering).
- (iii) Ruling issued on October 5, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384504) (applicable specific persons to the emerging market companies)
- (iv) Ruling issued on October 5, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384504) (restrictions on the new shares issued by the TWSE/TPEX -listed companies)
- (v) Ruling issued on August 24, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120383243) (applicable specific persons to the purchase/sales of the warrants and stock options, under which the physical delivery is adopted).
- (vi) Ruling issued on October 4, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384300) (applicable specific persons to the circumstances that the transferee is approved by the Executive Yuan and all the incomes will be donated to state treasury).
- (vii) Ruling issued on October 6, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384317) (under the circumstances of "issuing new shares as the consideration for assumption of the other company's shares", "merger", "de-merger", "acquisition", "share exchange", "general transfer" or "general assumption" according to "Company Act", "Enterprise Mergers and Acquisitions Act" or "Financial Holding Company Act", it is required to transfer the shares held to the applicable specific person).
- (viii) Ruling issued on October 7, 2004 (Ref. No.: Jin-Kuan-Zheng-(3)-Zi-0930140389) (specific persons applicable to the National Property Administration, Ministry of Finance, where the shares to be transferred are for payable taxes, delay penalties or delay interests)
- (ix) Ruling issued on January 19, 2006 (Ref. No.: Jin-Kuan-Zheng-(3)-Zi-0950000352) (where the Insider transfers its shares to a newly incorporated company as the payment for new shares according to Article 131 of the Company Act, such newly incorporated company is deemed the specific person).
- (x) Ruling issued on November 3, 2009 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-0980056017) (where the Insider transfers it shares to a company as the payment for new shares according to Article 272 of the Company Act, such receiving company is deemed the specific person).
- (xi) Ruling issued on January 7, 2013 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1010058366) (where the Insider fails to meet the conditions of

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acquiring the restricted stocks for employees so that the company retrieve or buy back such stocks, such company is deemed the specific person).

- (xii) Ruling issued on March 22, 2013 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1010054432) (where the foreign Insider transfer its shares acquired before public offering to other foreigners, to a newly incorporated foreign company as the payment for new shares or to a foreign company as the payment for new shares according the relevant laws, such foreigner or foreign company is deemed specific person).
- (xiii) Ruling issued on April 19, 2013 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1020013003) (the qualifications for the transferee of the private placement shares).
- (xiv) Ruling issued on August 7, 2015 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1040026939) (For any public company applying for listing on the TWSE or the TPEX, in case its parent company transfers shares of the public company to all of the shareholders of the parent company, such shareholders are deemed the specific persons.).

(2) Shareholding trust: (please refer to the ruling issued by the FSC on September 23, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120383907) for details)

- (a) Where the Insiders are the trustors:
 - (i) Insiders shall make the prior filing if they entrust the shares of the company.
 - (ii) After the Insiders' shares are entrusted, if it is a trust of "Entrusted Shares of Insiders with Discretion Reserved", the Insider shall still make the prior filing where there is any subsequent changes to the "Entrusted shares of Insiders with Management Discretion".
- (b) Where a trustee acquires more than 10% shareholding of a company under the trust scheme (namely, it becomes a "Major Shareholder"):
 - (i) Where a trust enterprise becomes the "Major Shareholder" due to the "trust assets with management discretion" (the shareholdings of all trust accounts with management discretion shall be aggregated) managed by it, such trust enterprise shall still make the filing prior to the share transfer. Such rules are also applicable to trust assets of the non-trust enterprise trustee, who holds the assets in the name of trust assets.
 - (ii) Where non-trust enterprise trustee does not hold the assets in the name of trust assets and becomes a Major Shareholder due to aggregated shareholdings with proprietary assets and trust assets, it shall still make the filing prior to the shareholding transfer.

(3) Method of prior filing:

Commencing from the implementation of the "Market Observation Post System" ("MOPS") dated August 1, 2002, the **prior filing for the share transfer**

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shall be made in accordance with the following methods (please refer to ruling dated July 1, 2002 (Ref. No.: Tai-Tsai-Zheng-(3)-Zi-0910003657) for details):

- (i) Insiders to deliver the filing report to the company and fax the same to the TWSE or the TPEX.
- (ii) Company to upload the information in the filing report to the MOPS before 17:30 p.m. on the same day of receipt.
- (iii) Insiders are no longer required to deliver the filing report to the SFB.
- (iv) Listed companies and the public companies that are not TWSE/TPEX -listed companies to fax the filing letter to TWSE/TPEX -listed and emerging market companies to fax the filing letter to TPEX.

2. Ex-post Filing of Shareholdings Movement

(1) Initial filing

According to Paragraph 1 of Article 25 of the SEA, upon the registration by the company for public offering, the company shall file with the competent authority and announce to the public the class and numbers of the shares held by its Insiders (including their spouses, minor children and Nominees).

(2) Periodical filing

According to Paragraph 2 of Article 25 of the SEA, the Insiders (including their spouses, minor children and Nominees) of a public company shall file, by the fifth day of each month, a report with the company of the changes in the number of shares they held during the preceding month. The company shall compile and file such report of changes with the competent authority by the fifteenth day of each month. The competent authority may order the company to make a public announcement of such information should it deem the measure necessary. **The shareholding change to be filed according to this paragraph refers to the number of shares being acquired and transferred, rather than the number after netting.** For instance, if a director of company A acquires 1,000,000 shares in the company A and transfers 500,000 shares, he/she shall file a report of 1,000,000 shares acquired and 500,000 shares transferred, rather than of 500,000 shares acquired after the netting.

(3) Filing for share pledge

According to Paragraph 4 of Article 25 of the SEA, where the Insider of a public company pledge the shares, the pledgor shall make immediate notification to the company; the company shall inform the competent authority of such pledges within five (5) days of their formation, and publicly announce such pledge. Furthermore, the ruling issued by the former SFC on November 15, 1994 (Ref. No.(83): Tai-Tsai-Zheng-(3)-Zi-02244) also provides that when the pledges are released, the **Insiders of the company shall also adopt the same procedures as pledge to file the report and make**

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public announcement.

- (4) When the Insider of a company pledges his/her shares to the financial institution, the owner of the shares will remain the pledgor. Accordingly, when the pledgee enforces the collateral and auction the shares according to Article 892 of the Civil Code, the seller will remain the pledgor as such auction is still one kind of purchase/sale. **If the financial institution enforces its creditor's rights to auction the shares owned by the Insider of a company (namely, call margin) due to insufficient maintenance margin, the Insider of a company would be the owner and the seller of the shares. Thus, the Insider of a company is obligated to file the report for shareholding transfer according to Articles 22-2 and 25, which can not be exempted regardless that the filing for share pledge has been done previously.** (Namely, when the pledgee is likely to dispose of the collaterals, pledgor shall immediately make the "prior filing" for the share transfer).
- (5) Private placement stocks (please refer to ruling dated April 19, 2013 (Ref. No.: Jin-Kuan-Zheng-Jieu -Zi-1020013003 for details):
Where the Insiders of a company's shareholding in the "private placement shares" changes, they shall file for the shareholding change according to Article 25 of the SEA.
- (6) Shareholding trust: (please refer to the ruling issued by the FSC on September 23, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu -Zi-1120383907) for details)
- A. Where the Insiders are the trustors:
- (a) After the Insiders entrust their share of the company and file for the shareholding change for the preceding month with the company by the fifth day of next month: (i) it may be identified as shareholding decrease if the trust agreement submitted to the company evidences that it is a "trust that the trustee has the management discretion on the trust assets"; (ii) if it is a "trust that the Insider retains the management discretion on the trust assets", the Insider shall not only file for shareholding decrease but also identify the shares entrusted as the "entrusted shareholding with management discretion."
- (b) For the "entrusted shareholding of insider with management discretion" above, as the Insider may (including the principal or authorized third party) still instruct the trustee to manage or dispose of the trust assets, such Insider shall still be responsible for the subsequent post filings.
- B. Where the Insider is a trustee:
- (a) If the Insider is a trust enterprise, as the entrusted shares are trust assets rather than proprietary assets, it does not need to make the post filing with the company in the following month.
- (b) If the Insider is not a trust enterprise and does not hold the assets in the name of trust assets, as such Insider trustee does not separate the proprietary assets and trust assets, it shall make the post filing for both proprietary assets and trust assets, regardless whether the shares

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acquired are proprietary assets or trust assets.

- C. Where a trustee acquires more than 10% shareholding of a company under the trust scheme (namely, it becomes a "Major Shareholder"):
- (a) If a trust enterprise becomes the "Major Shareholder" due to the "trust assets with management discretion" (the shareholdings of all trust accounts with management discretion shall be aggregated) managed by it, such trust enterprise shall still make the post filing for the management or disposal of the trust assets. Such rules are also applicable to the non-trust enterprise trustee, who holds the assets in the name of trust assets.
 - (b) If non-trust enterprise trustee does not hold the assets in the name of trust assets and becomes a Major Shareholder due to aggregated shareholdings with proprietary assets and trust assets, it shall still make the filing prior to management or disposal of the trust assets.

3. Maintenance of the Minimum Shareholding by Directors and Supervisors (Since the Securities and Exchange Act §165-1 does not apply mutatis mutandis to §26, this rule does not apply to foreign TWSE (or TPEX) primary listed companies or foreign emerging stock companies.

- (1) According to Article 26 of the SEA, the total shares held by the entire directors and supervisors of a company shall not be less than respective specified percentages of its total issued shares. The rules regulating the minimum percentage and the examination of such holding are to be prescribed by the competent authority.
- (2) The SFB promulgated 「 Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies 」 ("Ownership Ratios Rules") based on the authorization under Article 26 of the SEA. To cope with the establishment of the independent director and audit committee regime, SFB promulgated an amendment by its ruling dated October 16, 2007 (Ref. No.: Jin-Kuan-Zheng-(3)-Zi-0960055613), under which if the company elects two independent director seats or more at the same time, the minimum percentage of all directors' and supervisors' shareholding (excluding those held by the independent directors) may be decreased by 20%. The minimum percentage of all supervisors' shareholding is not applicable to the company which has established an audit committee according to the SEA. Except for banks regulated by the Financial Holding Company Act and Banking Act and the insurance companies regulated by the Insurance Act, the minimum percentage of all directors and supervisors' shareholding, respectively, is not applicable to a company in which the independent directors exceed one-half of the total director seats, and an audit committee has been established in accordance with the SEA.
- (3) To meet with the current capital scale of the industry, SFB promulgated an amendment by the rules dated May 20, 2008 (Ref. No.: Jin-Kuan-Zheng-(3)-Zi-0970022995), to increase the minimum percentage of all directors and supervisors' shareholding by eight levels. See below the minimum percentage of all directors and supervisors' shareholding pursuant to Article 2 of the Ownership Ratios Rules.

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Paid-in capital (amount)	Minimum percentage/shares of all directors' shareholding	Minimum percentage/shares of all supervisors' shareholding
NT\$300 million or less (Subparagraph 1)	15%	1.5%
More than NT\$300 million but NT\$1 billion or less (Subparagraph 2)	10% (4.5 million shares in minimum)	1% (450 thousand shares in minimum)
More than NT\$1 billion but NT\$2 billion or less (Subparagraph 3)	7.5% (10 million shares in minimum)	0.75% (1 million shares in minimum)
More than NT\$2 billion but NT\$4 billion or less (Subparagraph 4)	5% (15 million shares in minimum)	0.5% (1.5 million shares in minimum)
More than NT\$4 billion but NT\$10 billion or less (Subparagraph 5)	4% (20 million shares in minimum)	0.4% (2 million shares in minimum)
More than NT\$10 billion but NT\$50 billion or less (Subparagraph 6)	3% (40 million shares in minimum)	0.3% (4 million shares in minimum)
More than NT\$50 billion but NT\$100 billion or less (Subparagraph 7)	2% (150 million shares in minimum)	0.2% (15 million shares in minimum)
More than NT\$100 billion (Subparagraph 8)	1% (200 million shares in minimum)	0.1% (20 million shares in minimum)

(4) The focus on the current Ownership Ratios Rules are:

- (a) Where the minimum percentage of the shareholding is not met upon election, or any directors or supervisors transfer their shares or leave their office so that the minimum percentage of the shareholding is not met, the company shall, by the 16th day of each month, notify all of the directors or supervisors other than independent directors to make the rectification, and copy the same with the competent authority.

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- (b) The shareholding of independent directors shall not be counted in the total minimum shareholding. Where the company has elected two or more independent directors at the same time, the minimum percentage of all directors' and supervisors' shareholding (excluding that held by the independent directors) may be reduced by 20%.
- (c) The minimum percentage of all supervisors' shareholding is not applicable to the company which has established an audit committee according to the SEA.
- (d) Except for banks regulated by the Financial Holding Company Act and Banking Act and the insurance companies regulated by the Insurance Act, the minimum percentage of all directors' and supervisors' shareholding, is not applicable to a company in which the independent directors exceed one-half of the total director seats and an audit committee has been established in accordance with the SEA.
- (e) Where the government or a juristic person is a shareholder, and the shareholder or its representative is elected as a director or supervisor, their total shareholding shall be counted as registered shares held by the government or the juristic person. However, registered shares of the company owned by the designated representative him/herself and placed in centralized custody in the form of a segregated account with a centralized securities depository may be counted in the total share ownership referred to in the preceding article.

(5) Shareholding trust: (please refer to the ruling issued by the FSC on September 23, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120383907) for details)

- (a) Where the directors/supervisors are the trustors: The "Entrusted Shares with Management Discretion" shall be counted in the minimum percentage of all directors and supervisors' shareholding pursuant to Article 26 of the SEA.
- (b) Where the directors/supervisors are trustees:
 - (i) Where the directors/supervisors are trust enterprises (namely, the trust enterprise as the company's director or supervisor based on its self-owned shares), the subsequent entrusted shares shall not be counted in the minimum percentage of all directors' and supervisors' shareholding pursuant to Article 26 of the SEA.
 - (ii) Where the directors/supervisors are not trust enterprises, their entrusted shares shall not be counted in the minimum percentage of all directors' and supervisors' shareholding pursuant to Article 26 of the SEA, regardless whether such shares are entrusted in the name of trust assets.

4. Selling Restrictions During the Implementation Period of the Treasury Shares

- (1) According to Paragraph 6 of Article 28-2 of the SEA, a company's affiliates defined under Article 369-1 of the Company Act, directors, supervisors, managers and shareholders holding more than ten percent of the total shares of the company, their spouses, minor children and Nominees shall not sell

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their shares during the period that the company buys back its shares. The ruling issued by the FSC on November 1, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-11203842022) provides that such rule is also applicable to the representatives appointed by the government or juristic person shareholders and their spouses, minor children and Nominees.

- (2) According to the ruling issued by the FSC on November 1, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384202), where the listed company is a constituent of the ETF fund, its affiliates defined under Article 369-1 of the Company Act, directors, supervisors, managers and shareholders holding more than ten percent of the total shares of the company, their spouses and minor children will not be bound by Paragraph 6 of Article 28-2 of the SEA during the period that the company buy back its shares according to Paragraph 1 of Article 28-2 of the SEA, if they engage the same participating securities firm to buy in the beneficial certificate of such ETF fund with the same account (plus the balance of their existing holdings and borrowings thereof and the balance that they bought in on the preceding day, if any) for the purpose of buying back physical stock portfolio underlying the beneficial certificate of such ETF fund and selling the same on the same day.
- (3) According to the ruling issued by the FSC on November 1, 2023 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120384202), where the listed company is a constituent of the ETF fund, its affiliates defined under Article 369-1 of the Company Act, directors, supervisors and shareholders holding more than ten percent of the total shares of the company will not be bound by Paragraph 6 of Article 28-2 of the SEA during the period that the company buy back its shares according to Paragraph 1 of Article 28-2 of the SEA, if they buy in the beneficial certificate of such ETF fund (plus the balance of their original holdings and borrowings thereof and the balance that they bought in on the preceding day, if any), in the capacity of the participating securities dealer for the purpose of buying back physical stock portfolio underlying the beneficial certificate of such ETF fund and selling the same on the same day.
- (4) According to the ruling issued by the former SFC on May 11, 2004 (Ref. No.: Tai-Tsai-Zheng-(3)-0930117411), during the period that the company buys back its shares according to Article 28-2 of the SEA, the Insiders may still entrust their shares without violating the "no selling restriction" under Paragraph 6 of the same Article, provided that the trustee may not sell the "Entrusted Shares with Discretionary Management" during such period.
- (5) According to the ruling issued by the FSC on July 20, 2022 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1110382923), where the company transfers the treasury shares to its employees, it is not subject to the restriction under Article 150 of the SEA that the listed stocks must be traded on the centralized securities market of a stock exchange.

5. Reporting Acquisition and Changes of Substantial Shareholdings

- (1) According to Paragraph 1 of Article 43-1 of the SEA, any person who acquires, either individually or jointly with another person or other persons, more than 5% of the total issued shares of a public company shall report and publicly announce the purpose and the sources of funds for the purchase of shares

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and any other matters required to be disclosed by the competent authority within ten (10) days after such acquisition; such persons shall file timely amendment when there are changes in the matters reported. The filing threshold for acquirer's shareholding change is an increase or decrease reaching 1% of the total issued shares, and an increase or decrease in the acquirer's shareholding ratio also reaching 1%. SFB also revised and issued the "Regulations Governing the Declaration of Acquisition of Shares in Accordance with Article 43-1, Paragraph 1 of the Securities and Exchange Act" ("Filing Regulations") in accordance with the SEA on January 30, 2024 (Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1130380209), and shall come into effect on May 10, 2024.

(2) "Calculation method for the acquired shares"

- (i) The number of the shares of a public company acquired by the person shall include those held by his/her spouse, minor children and Nominees.
- (ii) The change to the shareholders' roster is not a requirement for acquisition of shares.

(3) "Acquiring shares jointly with another person"

According to Article 4 of the Filing Regulations, the term "acquiring shares jointly with another person" refers to the situation where individuals enter into agreements, contracts, or other forms of mutual consent to acquire issued shares of a public company. This includes instances where acquirers are united by a common purpose (such as joint control or investment in a specific company) and engage in a meeting of minds that leads to jointly acquiring shares of a public company, with written documentation not being a requirement. However, if there is a written mutual consent between or among the acquirers, a copy of the written mutual consent shall be included in the declaration.

(4) "Acquiring by trust"

(a) **For those who do not hold the assets in the name of trust assets:**

According to Paragraph 2 of Article 4 of the Trust Law, "If securities are the subject of a trust property, then the trust created shall not be valid against third parties unless the particular stock certificates or other documentary certificates of rights specify in accordance with the regulations of the industry's regulatory authority that they appertain to the trust property." The proprietary assets and trust assets shall be reported together. Therefore, entrusted shares shall be factored into the calculation of the trustee's own shareholding. If the total issued shares of a public company acquired more than 5%, or if there is a change in the shareholding resulting in an increase or decrease reaching 1% of the total issued shares of the public company, and an increase or decrease in shareholding ratio also reaching 1%, then a declaration and

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notification shall be made in accordance with Paragraph 1 of Article 43-1 of the SEA (if the purpose of acquiring issued shares of a public company is the merger/consolidation and acquisition, and acquiring more than 10% of the total issued shares of the public company, then, the purpose and the required items to be reported shall be declared in accordance with Paragraph 14 of Article 27 of the Business Mergers and Acquisitions Act); if the trustor is a shareholder who acquires issued shares of a public company more than 5%, and entrusts a portion of these shares to the trustee, resulting in a change of its shareholding reaching 1% of the total issued shares of the public company whose shares are acquired, and an increase or decrease in its shareholding ratio also reaching 1%, then the declaration and notification shall be made according to the aforementioned regulations.

(b) For those who hold the assets in the name of trust assets, they are distinguished based on whether they retain the discretion on the management of the entrusted shares:

(i) For those where the trustor retains the management discretion:

Even though the ownership of the entrusted shares has been transferred to the trustee, the discretion over their management remains with the trustor. Therefore, if the trustor is a shareholder who acquires issued shares of a public company more than 5%, the number of entrusted shares shall be deducted from the total shareholding; however, when calculating the change in shareholding ratio, the number of entrusted shares does not need to be included. (Only the notation "entrusted shares with retained the management discretion" needs to be included when next time filing a change declaration and filling out Annex 3 of the declaration form due to changes in shareholding and shareholding ratio.) The trustee, as they do not have the management discretion over the trust assets, is not required to file a shareholding declaration for that trust property according to the aforementioned regulations.

(ii) For those where the trustor does not retain the management discretion:

The management discretion over the entrusted shares has been transferred to the trustee. Therefore, if the trustor is a shareholder who acquires issued shares of a public company more than 5%, the number of entrusted shares shall be deducted from the total shareholding; however, when calculating the change in shareholding ratio, the number of entrusted shares shall be included. When the change in shareholding reaches 1% of the total shares issued by the public company whose shares are acquired, and the change in shareholding ratio increases or decreases also reaches 1%, then the declaration and notification shall be made in accordance with the aforementioned regulations. The trustee, as they have the management discretion over the trust assets, is required to file a shareholding declaration for that trust property according to the aforementioned regulations. Therefore, if the number of entrusted shares more than 5% of the total shares issued by the public company (since the trustee's own assets and trust assets shall be managed separately, the trustee's own shareholding should not be included), the trustee shall file the report and make public announcement in accordance with the

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aforementioned regulations. Subsequent changes in the number of trust shares, reaching 1% of the total shares issued by the company whose shares are acquired, and the change in shareholding ratio increases or decreases also reaches 1%, the trustee shall also file the report and make public announcement in accordance with the aforementioned regulations.

(5) "Filing and announcement method" (Effective on May 10, 2024.)

(a) For acquirers who are public companies:

- (i) Initial acquisition filing: According to Articles 6 of the Filing Regulations, an acquirer that is a public company shall transmit the information required to be filed to the MOPS within ten (10) days from the date of acquisition, whereupon the acquirer is deemed to have completed the declaration and public disclosure.
- (ii) Subsequent shareholding change filing: After the initial acquisition, if there is any subsequent change in the required items to be filed as stipulated in Paragraph 1 of Article 7 of the Filing Regulations, an acquirer that is a public company shall transmit the information required to be declared to the MOPS within two (2) days from the date of occurrence of such change, whereupon the acquirer is deemed to have completed the declaration and public disclosure.

(b) For acquirers who are natural persons or non-public companies:

- (i) Initial acquisition filing: According to Articles 6 of the Filing Regulations, an acquirer that is a natural person or a non-public company shall deliver the declaration information required to be filed to the acquiree company within eight (8) days from the date of acquisition, and the acquiree company shall then transmit the information to the MOPS on behalf of the acquirer within two (2) days from the day of receiving the information.
- (ii) Subsequent shareholding change filing: After the initial acquisition, if there is any subsequent change in the required items to be filed as specified in Paragraph 1 of Article 7 of the Filing Regulations, an acquirer that is a natural person or a non-public company shall deliver the information required to be declared to the acquiree company within two (2) days from the occurrence of such change, and the acquiree company shall then transmit the information to the MOPS on behalf of the acquirer on the same day of receiving the information.
- (iii) When the company whose shares are acquired acts on behalf of the acquirer to make an announcement on the MOPS, the subject of the announcement should state: "Announcement made by proxy acquirer [Name] in accordance with Article 43-1 of the Securities and Exchange Act (and Paragraph 14 of Article 27 of the Business Merger and Acquisition Act)."

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- (c) According to Paragraph 14 of Article 27 of the Business Mergers and Acquisitions Act, for the purpose of the merger/consolidation and acquisition to acquire the shares of the company whose shares have been publicly issued, in case more than ten percent of the total shares that the company had issued are acquired, the required items of filing a report shall apply mutatis mutandis to the "Filing Regulations"(Please refer to the ruling issued by the FSC on March, 8, 2024 with the Ref. No. of Jin-Kuan-Zheng-Jieu-Zi-1130380810)
- (6) The filing obligations under the former part (initial acquisition filing) and latter part (subsequent shareholding change filing) of Paragraph 1 of Article 43-1 of the SEA are separate obligations. Thus, if the acquirer violates those filing obligations, he/she will be penalized with separate administrative fines.
- (7) According to Paragraph 2 of Article 9 of the Filing Regulations, when the filing documents are transmitted to MOPS and the MOPS notifies the acquiree company, TWSE (for TWSE-listed stocks), or TPEX (for TPEX-listed stocks and emerging market stocks), the notification is deemed to have been duly completed once transmission to the MOPS has been completed. Therefore, the acquirer is not required to send a written copy of the declaration to those aforementioned.

6. Restriction on Short-term Trading

- (1) According to Paragraph 3 of Article 62 and Paragraph 1 of Article 157 of the SEA, if the Insider of the TWSE/TPEX -listed and emerging market companies, sells its company stocks or other securities with equity nature within six (6) months after its acquisition, or repurchase the securities within six months after its sale, the company shall claim for the disgorgement of any profit realized from the sale and purchase. If the board of directors or the supervisors of the company fail to exercise the right of claim for disgorgement on behalf of the company, its shareholders may request the directors or the supervisors to exercise the right of claim within thirty (30) days; upon the expiration of such period, if no action has been taken, such requesting shareholders shall have the right to claim for disgorgement on behalf of the company. The directors and supervisors shall be jointly and severally liable for damages suffered by the company as a result of their failure to exercise the claim. The right of claim above shall be extinguished if not exercised within two years after the date on which the profit is realized.
- (2) Article 11 of the Enforcement Rules of the SEA provides that:
 - (a) The term "other securities with equity nature" refers to convertible corporate bonds, corporate bonds with warrants, stock warrants, call (put) warrants, certificates of payment for shares, stock warrant certificates, certificates of entitlement to new shares, bond conversion entitlement certificates, Taiwan depositary receipts, and other securities with equity nature.

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- (b) The calculation method of the profits incurred from "short-term trading" is as follows:
- (i) Where the types of securities acquired or sold are of the same types, the price difference shall be calculated in a manner that the highest selling price matches the lowest purchasing price, the second highest selling price matches the second lowest purchasing price, and so on. Any losses resulting from the securities trading shall not be counted into the said calculation.
 - (ii) Where acquired or sold securities are of different types, the profit shall be calculated, in the case of ordinary shares, on the basis of the trade price and the number of shares traded; calculation of profit for other securities shall be based on the closing acquisition or sales prices of the ordinary shares on the day each such security was acquired or sold and the number of ordinary shares for which such security was exercisable or convertible; matching of the acquisition and sales prices shall be based on the provisions in (i).
 - (iii) The dividends received by the traded stocks shall be included into the price difference calculation in the preceding paragraphs (i) and (ii) above.
 - (iv) A 5% statutory interest per annum under Article 203 of the Civil Code shall be added into the price difference. Such interest shall be calculated based on the date of last trading until the date of disgorgement to the company, in the case of paragraphs (i) and (ii) above, and the date cash dividends are received until the date of disgorgement to the Company, in the case of preceding paragraph.
 - (v) The commissions charged by securities firms and the securities transaction tax arising from those trading shall be deducted from the profit in calculating the profit differential in paragraphs (i) and (ii) above.

(3) Relevant rulings

- (a) When calculating the profit of the price difference for the Insider's violation of short-term trading, the stocks that are purchased before he/she becomes an Insider or sold after he/she is no longer an Insider will not be counted in the calculation scope. (Please refer to the ruling issued by the FSC on July 12, 2022 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1110382481)
- (b) The scope of the "acquisition" defined under the short-term trading does not include the new shares subscribed or acquired upon capital increase by cash, profit or legal surplus. (Please refer to the ruling with the Ref. No.: (82)-Tai-Tsai-Zheng-(3)-Zi-68058)
- (c) Inheritance of shares does not fall within the definition of "acquisition" under Paragraph 1 of Article 157 of the SEA. (Please refer to the ruling issued by the FSC on October 26, 2007 with the Ref. No.: Jin-Kuan-Zheng-(3)-Zi-0960048145)
- (d) When a financial institution enforces the pledge against the pledged shares, as the pledgor is still the seller, it will still be caught by the "sale"

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under the short-term trading. However, if the minimum percentage of the directors' and supervisors' shareholding is not met because the pledged shares of the other directors or supervisors of the company is subject to involuntary sale, such as compulsory enforcement implemented by a financial institution, or due to other matters not contributable, so that the Insider needs to buy in the stocks, the stocks purchased at that time may not be counted in the disgorgement calculation. (Please refer to the ruling issued by the FSC on June 30, 2023 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120382845)

- (e) The stocks acquired from the capital increase by distributing its legal reserve (including employee bonus), assumption of treasury shares or the exercise of the convertible corporate bonds do not fall within definition of "acquisition" under short-term trading. (Please refer to the ruling issued by the FSC on June 30, 2023 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120382845)
- (f) Before the stocks bought back by the company are transferred to the employees, as they are not transferable, the acquisition of such stocks by the employees do not fall within definition of "acquisition" under short swing trading. (Please refer to No. 38 of the Treasury Shares Q&A).
- (g) The employee stock warrants issued by the company to the Insiders do not fall within the scope of short-term trading, provided that if such Insider exercises the employee stock warrants to acquire the company stocks or certificates of payment for shares, it still falls within definition of "acquisition" under short-term trading for which the disgorgement claim is applicable. Where the Insider uses the certificate of payment for shares arising from the exercise of employee stock warrant, in exchange for the shocks, it will not fall within definition of "acquisition" under short-term trading. The scope of the "acquisition" under short-term trading does not include the Insider's subscription for the convertible corporate bonds underwritten publicly, exercise of the option underlying the convertible bonds or the subscribing right underlying the corporate bonds with warrants in exchange for the stocks, acquisition of the bond conversion entitlement certificates and certificate of payment for shares or exercise of the same in exchange for the stocks. (Please refer to the ruling issued by the FSC on June 30, 2023 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120382845)
- (h) The Insider's purchase/sale of the warrants underlying the company stock will be caught by the short-term trading. As the purchase of the put warrants shall "have the same status of the sales", it shall be matched with the company stocks purchased or other securities with equity nature underlying such stocks; as the sale of the put warrants shall "have the same status of the purchase", it shall be matched with the company stocks sold or other securities with equity nature underlying such stocks to calculate the profits according to the method prescribed under the prohibited short-term trading rules. (Please refer to the ruling issued by the FSC on June 30, 2023 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120382845)

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- (i) Where the Insider transfer the stocks to others as a gift within six months following the purchase, given that the gift is not equivalent to sales, it will not be caught by the claim of disgorgement. (Please refer to the ruling issued by the FSC on June 30, 2023 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120382845)
- (j) Where the Insider of a TWSE/TPEX -listed company transfers the stocks to his/her spouse as a gift, given that the gift is not equivalent to sales, such stocks received by the spouse as gift will not be counted in the calculation of profits subject to the disgorgement. (Please refer to the ruling issued by the FSC on June 30, 2023 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1120382845)
- (k) Where the Insider transfer the stocks of the company to his/her minor children as a gift, such stocks received by the minor children as the gift do not need to be counted in the calculation of profits subject to disgorgement. (Please refer to the ruling issued by the FSC on November 22, 2006 with the Ref. No.: Jin-Kuan-Zheng-(3)-Zi-0950145599)
- (l) Where the directors, supervisors, managers or the shareholders with more than 10% shareholding of the stock issuing company use such stocks as the consideration payment for new issued shares according to Articles 131 or 272 of the Company Act, it does not fall within the definition of "sales" under Paragraph 1 of Article 157 of the SEA. (Please refer to the ruling issued by the FSC on August 10, 2009 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-0980026581)
- (m) Where the Insider uses its shareholding as the consideration payment for new issued shares according Articles 131 or 272 of the Company Act, and the receiving company is a nominee of such Insider to hold the received shares as the consideration payment for the new issued shares, such shares acquired for consideration payment of the new issued shares will not be counted in the calculation of profits subject to disgorgement. (Please refer to the ruling issued by the FSC on May 4, 2010 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-0990012741)
- (n) Where the Insider executes the employee stock warrant, which shall be categorized as a purchase of stocks, the claim of disgorgement under Article 157 of the SEA shall apply. (Please refer to the ruling issued by the FSC on October 27, 2010 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-0990042867)
- (o) Article 157 of the SEA shall apply where the Insider acquires the stocks due the liquidation of company invested by the Insider. (Please refer to the ruling issued by the FSC on November 16, 2010 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-0990065428)
- (p) Where the Insider acquires the new issued restricted employee stocks from the company prescribed in Paragraph 8 of Article 267 of the

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Company Act and Article 60-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, or acquires the same from the trust custody arrangement after vesting condition is met, it does not fall within the definition of "acquisition" under Article 157 of the SEA. (Please refer to the ruling issued by the FSC on November 16, 2012 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1010048064)

- (q) Where the Insider of a target company in an acquisition participate in the public offering, it falls within the definition of "sales" under Article 157 of the SEA. (Please refer to the ruling issued by the FSC on February 18, 2013 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1020002385)
- (r) Where the Insider of a target company in an acquisition acquires the shares of an acquiring company due to share exchange and becomes an Insider of the acquiring company, the acquisition of such new shares issued by the acquiring company under share exchange does not fall within the scope of acquisition under Paragraph 1 of Article 157 of the SEA. (Please refer to the ruling issued by the FSC on September 24, 2013 with the Ref. No.:Jin-Kuan-Zheng-Jieu-Zi-1020037810)
- (s) Where the investor uses its stocks as the consideration payment for the new issued shares according to Article 272 of the Company Act and the receiving company is an Insider of the issuing company of such stocks, the acquisition of such stocks for the consideration payment of the new issued shares falls within the scope of "acquisition" under Article 157 of the SEA. (Please refer to the ruling issued by the FSC on November 4, 2013 with the Ref. No.: Jin-Kuan-Zheng-Jieu-Zi-1020044293)

7. Restriction on Insider Trading

- (1) According to Article 157-1 of the SEA, upon actual knowledge of any information that will have a material impact on the price of the securities of the issuing company, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the following persons shall not purchase or sell, in the person's own name or in the name of another, shares of the company that are listed on an exchange or an over-the-counter market, or any other securities with equity nature of the company:
 - (i) a director, supervisor and manager of the company, and/or a natural person designated to exercise powers as representative pursuant to Paragraph 1 of Article 27of the Company Act.
 - (ii) shareholders holding more than 10% of the shares of the company.
 - (iii) any person who has learned the information by reason of occupational or controlling relationship.
 - (iv) a person who, though no longer among those listed in one of the preceding three subparagraphs, has only lost such status within the last six months.

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- (v) any person who has learned the information from any of the persons named in the preceding four subparagraphs.
- (2) Upon actual knowledge of any information that will have a material impact on the ability of the issuing company to pay principal or interest, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the persons listed in the preceding paragraph shall not sell, in the person's own name or in the name of another, the corporate bonds without equity nature of such company that are listed on an exchange or an over-the-counter market:
- (3) Persons in violation of the provisions of Paragraph (1) or the preceding Paragraph (2) shall be held liable, to trading counterparts who on the day of the violation undertook the opposite-side trade with bona fide intent, for damages in the amount of the difference between the buy or sell price and the average closing price for ten (10) business days after the date of public disclosure; the court may also, upon the request of the counterpart trading in good faith, treble the damages payable by the said violators should the violation be of a severe nature. The court may reduce the damages where the violation is minor.
- (4) The persons referred to in Subparagraph (v) of Paragraph (1) shall be held jointly and severally liable with the persons referred to in Subparagraphs (i) through (iv) of Paragraph (1) who provided the information for the damages referred to in the preceding paragraph. However, where the persons referred to Subparagraphs (i) through (iv) of Paragraph (1), who provided the information had reasonable cause to believe the information had already been publicly disclosed, they shall not be liable for damages.
- (5) The phrase "information that will have a material impact on the price of the securities" in Paragraph (1) shall mean information relating to the finances or businesses of the company, or the supply and demand of such securities on the market, or tender offer of such securities, the specific content of which will have a material impact on the price of the securities, or will have a material impact on the investment decision of a reasonably prudent investor. Regulations governing the scope of the information, the means of its disclosure and related matters shall be prescribed by the competent authority.
- (6) Regulations governing the scope of the information that will have a material impact on the price of the securities as described in Paragraph (1) and that will have a material impact on the ability of the issuing company to pay principal or interest as described in Paragraph (2), the means of its disclosure and related matters shall be prescribed by the competent authority.
- (7) The stocks held by the persons referred in Subparagraphs (i) and (ii) of Paragraph (1) include those held by his/her spouse, minor children and Nominees; the same shall apply with respect to those who have lost the identity for a period of less than a full six months. The provisions of Paragraph 4 of Article 20 of the SEA shall apply *mutatis mutandis* to the trading counterpart referred to in paragraph (3).

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Section 3 Legal Liabilities on the Insiders

To establish orders in the securities market, the SEA imposes the administrative, criminal and civil liabilities on the Insiders failing to follow or violate the relevant obligations so as to implement the administrative management of the competent authority. In addition, the state may prevent the violation of the laws via imposing the criminal liabilities and the victims may accordingly acquire adequate compensations.

1. Administrative Liabilities

- (1) Any Insiders failing to fulfill the obligations under Articles 22-2 (prior filing), 25 (post filing), Paragraph 6 of Article 28-2 (selling restrictions during the period of implementation of the treasury shares) and Paragraph 1 of Article 43-1 (filing for substantial acquisition and shareholding change) of the SEA may be subject to an administrative fine from NT\$240,000 to NT\$4,800,000 according to Paragraph 1 of Article 178 of the same Act, and the competent authority may order the person to correct the violation within a prescribed period; if the person fails to make the correction within the prescribed period, consecutive fines may be imposed
- (2) Anyone who violates the Ownership Ratios Rules prescribed by the competent authority in accordance with Paragraph 2 of Article 26, and provisions regarding notifications and auditing in the enforcement rules for auditing the shareholdings thereto may be subject to an administrative fine from NT\$240,000 to NT\$4,800,000 according to Subparagraph 8 of Paragraph 1 of Article 178 of the same Act and the competent authority may order the person to correct the violation within a prescribed period; if the person fails to make the correction within the prescribed period, consecutive fines may be imposed.
- (3) If a juristic person violates the provisions above, the individual person responsible for the act will be punished according to Article 179 of the same Act.

2. Criminal Liabilities

Insider trading: According to Subparagraph 1 of Paragraph 1 of Article 171 of the SEA, anyone violating Article 157-1 may be subject to an imprisonment from three (3) years to ten (10) years, in addition to an criminal fine from NT\$10 million to NT\$200 million, or an imprisonment for 7 years or more, in addition to an criminal fine from NT\$25 million to NT\$500 million if the value of property or property interests gained from the crime reaches NT\$100 million or more.

3. Civil Liabilities

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- (1) Disgorgement of the profits from the short-term trading: Insider of a company is liable for civil liability of returning the profits from the short-term trading to the company where it violates Paragraph 1 of Article 157 of the SEA. The directors and supervisors shall be held jointly and severally liable for damages suffered by the company as a result of their failure to exercise the claim.
- (2) Insider trading: According to Paragraph 3 of Article 157-1 of the SEA, persons in violation of Paragraphs 1 or 2 of Article 157-1 of the SEA shall be held liable, to trading counterparts who on the day of the violation undertook the opposite-side trade with bona fide intent, for damages in the amount of the difference between the buy or sell price and the average closing price for ten (10) business days after the date of public disclosure; the court may also, upon the request of the counterpart trading in good faith, treble the damages payable by the said violators should the violation be of a severe nature. The court may reduce the damages where the violation is minor.

Chapter 3 Some Common Violations with respect to the Filing Duty of Insiders

1. Violation of Article 22-2 of the SEA (prior filing)

- (1) Insiders transfer the shares within the holding period (6 months).
- (2) Insiders transfer the shares in an amount exceeding the daily maximum amount.
- (3) Insiders and related parties transfer the shares more than 10,000 shares in a single day without making the prior filing.
- (4) Insiders have filed for share transfer but miscalculate the transferring period and transfer within three (3) days (for instance, if the filing date is July 1, the shares cannot be transferred until July 4 but the Insider sells the shares from a period from July 1 to July 3).
- (5) Insiders neglect or are not familiar with the relevant regulations of the SEA and fail to make the filing before transferring the shares.
- (6) Insiders' shares are subject to liquidation of pledge by the financial institution or compulsory enforcement of the court but the Insiders fail to make the filing.
- (7) The method of transaction declared by the Insiders prior to transfer does not match the actual transaction method.
- (8) Insiders transfer their shares to the trustee without making the prior filing, and subsequently fail to make the post filing when the trustee return the entrusted shares.

2. Violation of Article 25 of the SEA (post filing)

- (1) Though the Insiders have make the filing with the company (or its stock agent), the company (or its stock agent) fails to aggregate the information filed by the Insiders and make the filing.

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- (2) Insider's purchase and sale are in the same amount in the current month, but fails to make the filing or file with an amount after netting between purchase and sale. (For instance, if a director of company A acquires 1,000,000 shares and transfers 500,000 shares, he/she shall file a report of 1,000,000 shares acquired and 500,000 shares transferred, rather than of 500,000 shares acquired after netting.)
- (3) Insiders have made the filing with the company (or its stock agent), but the filing amount is more (or less) than the actual amount acquired or transferred)
- (4) Insiders neglect or are not familiar with the relevant regulations of the SEA and fail to make the filing or make an additional filing.
- (5) Insiders fail to make both prior filing and post filing for the share transfer.
- (6) Insiders' shares are subject to margin call of the financial institution or compulsory enforcement of the court but the Insiders fail to make the filing.
- (7) Insiders mistakenly add the amount of shareholding change until the filing date in the current month to the shareholding change of the preceding month when it make the filing for the shareholding change of the preceding month by the fifth day of each month.
- (8) Insiders report incorrect shareholding upon assuming their office.

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Chapter 4 Securities and Exchange Act | List of the Regulations of the Directors and Supervisors

Regulated items	Summary	Filing (handing) deadline	Consequence of violation
Prior filing for share transfer	<ol style="list-style-type: none"> 1. Directors, supervisors and managers of the company and the shareholders holding more than 10% of the total issued shares (including their spouses, minor children and Nominees), are required to make the prior filing before transferring the shares of the company. 2. The representatives designated by the government or juristic person shareholder and their spouses, minor children and Nominees are also regulated. 3. Insiders of the subsidiary 100% held by a financial holding company and their spouses, minor children and Nominees are also regulated. 	<ol style="list-style-type: none"> 1. To transfer, at least three (3) days following filing with the competent authority, on a centralized exchange market or an over-the-counter market, shares that have satisfied the holding period requirement and within the daily transfer allowance ratio prescribed by the competent authority. 2. To transfer, within three (3) days following filing with the competent authority, to specific persons meeting the qualifications prescribed by the competent authority (and if such specific person would like to transfer such stocks within 1 year, he/she shall adopt any of the three (3) methods). 	<p>An administrative fine from NT\$240,000 to NT\$4,800,000 according to Subparagraph 1 of Paragraph 1 of Article 178 of the SEA, and the competent authority may order the person to correct the violation within a prescribed period; if the person fails to make the correction within the prescribed period, consecutive fines may be imposed.</p>

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Regulated items	Summary	Filing (handing) deadline	Consequence of violation
Post filing for shareholding change	<ol style="list-style-type: none"> 1. Directors, supervisors and managers of the company and the shareholders holding more than 10% of the total issued shares (including their spouses, minor children and Nominees), are required to make the post filing in the next month upon acquisition or transfer of the shares of the company. 2. The representatives designated by the government or juristic person shareholder and their spouses, minor children and Nominees are also regulated. 3. Insiders of the subsidiary 100% held by a financial holding company and their spouses, minor children and Nominees are also regulated. 	<ol style="list-style-type: none"> 1. Insiders of a company shall file, by the fifth day of each month, a report with the company of the changes in the number of shares they held during the preceding month. The company shall compile and file such report of changes with the competent authority by the fifteenth day of each month. 2. Where the Insiders of a company pledge their shares, the pledgor shall make immediate notification to the company; the company shall inform the competent authority of such pledges within five (5) days of their formation. So does the release of the pledge. 	
Maintenance of the minimum shareholding of the directors and supervisors	<p>(This rule does not apply to foreign TWSE (or TPEX) primary listed companies or foreign emerging stock companies.)</p> <ol style="list-style-type: none"> 1. Where the minimum percentage of the shareholding is not met upon election, or any directors or supervisors transfer their shares or leave their office so that the minimum percentage of the shareholding is not met, the company shall, by the 16th day of each month, notify the all of the directors or supervisors other than independent directors to rectify the situation, and copy the same to the competent authority. 	<ol style="list-style-type: none"> 1. The minimum percentage of the shareholding shall be met upon election and during the term. 2. Where the minimum percentage of the shareholding is not met upon election or during the term, the company shall, by the 16th day of each month, notify the all of the directors or supervisors other than independent directors to make the rectification, and copy the same with the competent authority. 	<p>An administrative fine from NT\$240,000 to NT\$4,800,000 according to Subparagraph 8 of Paragraph 1 of Article 178 of the SEA, and the competent authority may order the person to correct the violation within a prescribed period; if the person fails to make the correction within the prescribed period, consecutive fines may be imposed.</p>

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Regulated items	Summary	Filing (handing) deadline	Consequence of violation
	<p>2. The shareholding of independent directors shall not be counted in the total minimum shareholding. Where the company has elected two (2) or more independent directors at the same time, the minimum percentage of all directors and supervisor's shareholding (excluding those held by the independent directors) may be reduced by 20%.</p> <p>3. The minimum percentage of all supervisors' shareholding is not applicable to the company which has established an audit committee according to the SEA.</p> <p>4. Except for banks regulated by the Financial Holding Company Act and Banking Act and the insurance companies regulated by the Insurance Act, the minimum percentage of all directors and supervisors' shareholding, is not applicable to a company in which the independent directors exceed one-half of the total director seats, and an audit committee has been established in accordance with the SEA.</p> <p>5. Where the government or a juristic person is a shareholder, and the shareholder or its representative is elected as a director or supervisor, their total shareholding shall be counted as registered shares held by the</p>		

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Regulated items	Summary	Filing (handing) deadline	Consequence of violation
	<p>government or the juristic person. However, registered shares of the company owned by the designated representative him/herself and placed in centralized custody in the form of a segregated account with a centralized securities depository may be counted in the total share ownership referred to in the preceding article.</p>		
<p>Selling restrictions during the implementation period of the treasury shares</p>	<ol style="list-style-type: none"> Company's affiliates, directors, supervisors, managers and shareholders holding more than ten percent of the total shares of the company, their spouses, minor children and Nominees shall not sell their shares during the period that the company buys back the treasury shares Representatives designated by the government or juristic person shareholders and their spouses, minor children and Nominees are also regulated 	<p>Not applicable.</p>	<p>An administrative fine from NT\$240,000 to NT\$2,400,000 according to Subparagraph 10 of Paragraph 1 of Article 178 of the SEA, and the competent authority may order the person to correct the violation within a prescribed period; if the person fails to make the correction within the prescribed period, consecutive fines may be imposed.</p>
<p>Reporting Acquisition and Changes of Substantial Shareholdings</p>	<p>Any person who acquires, either individually or jointly with another person or persons, more than 5% of the total issued shares of a public company and the subsequent filing for any changes.</p>	<ol style="list-style-type: none"> An acquirer that is a public company shall transmit the information required to be declared under the Filing Regulations to the MOPS within ten (10) days from the date of acquisition, whereupon the acquirer is deemed to have completed the declaration and public disclosure. An acquirer that is not a public company shall deliver the 	<p>An administrative fine from NT\$240,000 to NT\$4,800,000 according to Subparagraph 2 of Paragraph 1 of Article 178 of the SEA, and the competent authority may order the person to correct the violation within a prescribed period; if the person fails to make the correction within the prescribed period,</p>

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Regulated items	Summary	Filing (handing) deadline	Consequence of violation
		<p>declaration information required to be declared under the Filing Regulations to the acquiree company within eight (8) days from the date of acquisition, and the acquiree company shall then transmit the information to the MOPS on behalf of the acquirer within two (2) days from the day of receiving the information.</p> <p>2. If there is any change in the items reported, an acquirer that is a public company shall transmit the information required to be declared under the Filing Regulations to the MOPS within two (2) days from the date of occurrence of such change, whereupon the acquirer is deemed to have completed the declaration and public disclosure. An acquirer that is not a public company shall deliver the information required to be declared under the Filing Regulations to the acquiree company within two (2) days from the date of occurrence of such change, and the acquiree company shall then transmit the information to the MOPS on behalf of the acquirer on the same day of receiving the information.</p>	<p>consecutive fines may be imposed.</p>

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Regulated items	Summary	Filing (handing) deadline	Consequence of violation
Restriction on short swing trading	<ol style="list-style-type: none"> 1. Insiders of the TWSE/TPEX -listed and emerging market companies, shall not sell its company stocks or other securities with equity nature within six (6) months after the Insiders' acquisition, or repurchase the securities within six months after its sale. 2. Representatives designated by the government or juristic person shareholders and their spouses, minor children and Nominees are also regulated. 	Not applicable.	The company shall claim for disgorgement of the profits according to Article 157 of the SEA.
Restriction on insider trading	<ol style="list-style-type: none"> 1. Insiders of the TWSE/TPEX -listed and emerging market companies, upon actual knowledge of any information that will have a material impact on the price of the securities of the issuing company, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, shall not purchase or sell, in the person's own name or in the name of another, shares of the company that are listed on an exchange or an over-the-counter market, or any other securities with equity nature of the company. 2. Representatives designated by the government or juristic person shareholders and their spouses, minor children and Nominees are also regulated. 	Not applicable.	<ol style="list-style-type: none"> 1. An imprisonment from 3 years to 10 years, in addition to a criminal fine from NT\$10 million to NT\$200 million, or an imprisonment for 7 years or more, in addition to a criminal fine from NT\$25 million to NT\$500 million if the value of property or property interests gained from the crime reaches NT\$100 million or more according to Article 171 of the SEA. 2. Being liable, to trading counterparts who on the day of the violation undertook the opposite-side trade with bona fide intent, for damages in the amount of the difference between the buy or sell price and the average closing price

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Regulated items	Summary	Filing (handing) deadline	Consequence of violation
			for ten business days after the date of public disclosure; the court may also, upon the request of the counterpart trading in good faith, treble the damages payable by the said violators should the violation be of a severe nature. The court may reduce the damages where the violation is minor.

Note:

1. This Guidance Manual is available on the websites of TWSE (<http://www.twse.com.tw>) and TPEX (<http://www.tpex.org.tw>). Please feel free to download. The contents of the information are subject to those on the websites.
2. For your own interests and compliance with laws, please make the filing on time according to the regulations so as to avoid being punished.
3. The information of the regulations above is as of April 30, 2024. Please check on the SFB website (<http://www.sfb.gov.tw>) for the most updated regulations.