АННОТАЦИЯ И КЛЮЧЕВЫЕ СЛОВА

Аннотация. Представленный сборник включает наиболее репрезентативные законодательные акты, которые составляют своеобразный каркас правовой системы Тайваня в финансово–банковской сфере (подготовлен при финансовой поддержке РГНФ, проект 14-23-10002 «Сравнительный анализ правового регулирования финансово-банковского сектора России и Тайваня»).

Ключевые слова: Тайвань, законодательство, правовая система, Китай, финансовое право, банковское право, экономика.

TITLE, ABSTRACT, KEYWORDS

Abstract. The compendium of the Taiwan's financial-banking laws includes the most representative laws that constitute a framework of the legal system of Taiwan in the financial and banking sector. It's prepared with financial support of RFH, project 14-23-10002 "Comparative analysis of legal regulation of financial and banking sector in Russia and Taiwan.

Keywords: Taiwan, legislation, legal system, China, financial law, banking law, economy

СВЕДЕНИЯ ОБ АВТОРАХ

Чжао Чжучэн, профессор, Государственный Университет Чжэнчжи (Тайвань)

Zhu-cheng Zhao, Professor, National Chengchi University (Taiwan)

Ван Венг-Чи , профессор, Государственный Университет Чжэнчжи (Тайвань)

Wang Wen Chi, Professor, National Chengchi University (Taiwan)

Сильвестров С.Н. – д-р.экон.наук, проф., директор Института экономической политики и проблем экономической безопасности Финансового университета

Sergey N. Silvestrov, PhD of Economics, Professor, Honored Economist of the Russian Federation, Financial University under the Government of the Russian Federation

Ремыга В.Н. – д-р.экон.наук, вед. науч. сотр. Центра исследований международных экономических отношений Института экономической политики и проблем экономической безопасности Финансового университета

Remyga Vladimir N., PhD of Economics, Professor, Financial University under the Government of the Russian Federation

Смирнов Д.А. – канд.ист.наук, руководитель сектора Центра новейшей истории Китая и его отношений с Россией Института Дальнего Востока РАН

Трощинский П.В. – канд.юрид.наук, руководитель группы правовых исследований Китая Центра политических исследований и прогнозов, Института Дальнего Востока РАН

Troshchinskiy Pavel V., Ph.D in Law, Scientist of the Institute of Far Eastern Studies of Russian Academy of Science

Фатьянов А.А. – д-р.юрид.наук, директор Института проблем эффективного государства и гражданского общества

Fatianov Alexey A., Ph.D in Law, Professor, Financial University under the Government of the Russian Federation

Котова Н.Е. – мл. науч. сотр. Центра макроэкономических исследований Института экономической политики и проблем экономической безопасности Финансового университета

Kotova Natalia E, Financial University under the Government of the Russian Federation

СОДЕРЖАНИЕ

ВВЕДЕНИЕ..... 4

Закон о компаниях..... 7

Company Act (公司法)..... 31

Financial Holding Company Act (金融控股公司法)..... 139

Futures Trading Act (期貨交易法)..... 174

The Central Bank of the Republic of China (Taiwan) Act
(中央銀行法) 201

Insurance Act (保險法)..... 209

Business Mergers And Acquisitions Act (企業併購法)..... 270

Securities and Exchange Act (證券交易法)..... 292

The Banking Act of The Republic of China (銀行法)..... 346

АННОТАЦИЯ И КЛЮЧЕВЫЕ СЛОВА
TITLE, ABSTRACT, KEYWORDS..... 394

СВЕДЕНИЯ ОБ АВТОРАХ..... 395

ВВЕДЕНИЕ

Самой обширной по количеству принятых правовых документов является финансово-банковская сфера Тайваня и это не случайно. Известно, что Тайвань добился беспрецедентных успехов в данной области. Начатая в 2000-х годах финансовая реформа и реформа банковской системы привела Китайскую Республику к устойчивому экономическому росту. Крупномасштабные преобразования начались именно с внесения изменений в действующие законодательные акты: Закон о банках, Закон о слияниях финансовых институтов, Закон о страховании. Были в срочном порядке приняты Закон о финансовых холдингах и Закон о секьюритизации финансовых активов.

Так, например, в ходе законодательного оформления реформы финансово-банковского сектора было закреплено право финансовых организаций, образующихся в результате слияний, не уплачивать гербовый сбор и налог на прирост капитала, связанный с увеличением стоимости земельных участков. Убытки, образующиеся в связи с тем, что в ходе слияний третьей стороне продаются с дисконтом права на взыскание «проблемных» кредитов объединяемых банков, было разрешено погашать в течение 15 лет после слияния. Законодатель также впервые разрешил иностранным финансовым институтам приобретать тайваньские банки в полную (100%) собственность. В целях урегулирования накопленной «проблемной» задолженности Закон о слияниях финансовых институтов санкционировал создание специализированных компаний по кризисному управлению активами.

Тайвань быстро оправился и после финансового кризиса 2009 года. Финансово-банковский сектор практически не пострадал. Экономика Китайской Республики продолжает расти, она обладает весьма благоприятным инвестиционным климатом, уступая по данному показателю лишь немногим странам. Основу экономики Тайваня составляют малые и средние предприятия, которые активно пользуются услугами финансово-банковского сектора. Множество крупных мировых банков имеют на Тайване свое представительство. Крупнейшие тайваньские финансовые холдинги активно приобретают компании за рубежом. Все это свидетельствует о верном направлении движения тайваньских властей в рамках правового регулирования банковской и финансовой сферы Китайской Республики.

Банковско-финансовое законодательство Китайской Республики достаточно развито и состоит из целого ряда актов правотворчества. В него включаются как сами законы, так и подзаконные нормативно-правовые акты, количество которых в разы превышает первые. Это объясняется тем, что китайский законодатель, будь то в КНР, или в Китайской Республике, предпочитает не спешить с принятием трудно

изменяемых кодифицированных актов правотворчества, предпочитая им разрозненные подзаконные документы локального характера. Именно на уровне подзаконного нормотворчества легче всего оперативно и безболезненно регулировать важную для экономического развития региона финансовую и банковскую сферы.

Одним из направлений финансовой политики Китайской Республики является усиление фискальной реструктуризации, направленной на улучшение финансового состояния Тайваня и укрепление его конкурентоспособности на международной арене. Правительство планирует постепенно снижать бюджетный дефицит, искать новые направления источников дохода, реструктуризировать государственные финансы.

В результате проведенных научных исследований по теме «Сравнительный анализ правового регулирования финансово-банковского сектора России и Тайваня» (проект РГНФ № 14-23-10002) сформулированы несколько наиболее важных выводов:

1. Правовая система Китайской Республики на Тайване уникальна. Она воплотила в себе

характерные черты традиционного права Древнего Китая, высокие принципы конфуцианского учения, а также институты романо-германской (континентальной) правовой семьи;

2. Законодательство Тайваня чрезвычайно обширно и достаточно развито. Правовые традиции, правосознание и правоприменение в Китайской Республике имеет глубокие исторические корни, относящиеся к истокам права Древнего Китая. Существующий институт смертной казни, жесткость законов и ответственности – все это позволяет говорить об особой специфике права Тайваня;

3. Достаточно полно и всесторонне тайваньским законодательством регулируется финансовая и банковская сферы. Уже приняты и успешно применяются фундаментальные акты правотворчества: Закон о банках, Закон о Центральном банке, Закон о противодействии отмыванию денег и др. Еще в начале прошлого столетия принят Гражданский кодекс, положения которого при внесенных в него поправках и изменениях не потеряли актуальности и в настоящее время;

4. В правовой системе Китайской Республики отсутствуют некоторые важные кодифицированные акты правотворчества. Так, до сих пор не принят Налоговый кодекс. Представляется, что тайваньский законодатель предпочитает громоздким и трудноизменяемым правовым документам локальные подзаконные нормативные правовые акты для оперативного регламентирования развивающихся общественных отношений в экономической сфере. Не случайно, что в банковской и

финансовой сфере подавляющее большинство правовых актов носят подзаконных характер.

Все это свидетельствует о важности для отечественной правовой и экономической наук изучения опыта Китайской Республики в финансовой и банковской сфере для его использования.

В результате скрупулезной совместной работы с тайваньскими коллегами были отобраны 8 наиболее репрезентативных законодательных актов, которые составляют своеобразный каркас правовой системы Тайваня в финансово–банковской сфере. Они представлены в данном сборнике.

С.Н. Сильвестров, В.Н. Ремыга

ЗАКОН О КОМПАНИЯХ

Дата последних изменений: 30 января 2013 г.

ГЛАВА 1.ОСНОВНЫЕ ПОЛОЖЕНИЯ.

Статья 1. Под «компанией» в настоящем Законе понимается организованное, зарегистрированное, созданное в соответствии с настоящим Законом корпоративное юридическое лицо в целях извлечения прибыли.

Статья 2. Компании подразделяются на четыре следующих вида:

1. Компания с неограниченной ответственностью: этот термин означает, что компания организована 2-мя или более акционерами, которые несут совместную неограниченную ответственность или имеют несколько таковых за выполнение обязательств компании.

2. Компания с ограниченной ответственностью: этот термин означает, что компания организована одним или несколькими акционерами, каждый из которых несет ответственность за выполнения обязательств компании, ограниченную внесенной данным акционером суммой.

3. Компания с неограниченной ответственностью с акционерами с ограниченной ответственностью: этот термин означает, что компания учреждена одним или несколькими акционерами с неограниченной ответственностью и одним или несколькими акционерами с ограниченной ответственностью; среди них акционер(ы) с неограниченной ответственностью будет(дут) нести неограниченную совместную ответственность за обязательства компании, тогда как каждый из акционеров с ограниченной ответственностью будет ответственен за обязательства компании в пределах только вложенного лично им капитала.

4. Компания с ограниченной ответственностью в виде акций: этот термин означает, что компания учреждена двумя или более или одним акционером-членом правительства или корпоративным акционером, с общим капиталом компании, поделенным на акции, и каждый акционер несет ответственность за обязательства компании в размере равном общей стоимости подписанных на него акций.

Название компании будет указывать на вид, к которому принадлежит.

Статья 3. Юридический адрес компании – место расположения головного офиса компании. Термин «головной офис» используется в данном законе как основной офис, первый учрежденный в соответствии с законом с целью нести ответственность за всю организацию; термин

«филиал» означает отделение, находящееся под контролем головного офиса компании.

Статья 4. Под термином «иностранная компания» в настоящем Законе подразумевается компания, организованная или учрежденная с целью получения прибыли, согласно законам иностранного государства, и признанная правительством Республики Китай для осуществления бизнеса на территории Республики Китай.

Статья 5. Под термином «компетентные органы власти» в настоящем Законе подразумевается Министерство Экономики с центральным правительством; Бюро Реконструкции с муниципальными органами управления под юрисдикцией Исполнительного Юаня.

Центральные компетентные органы власти могут уполномочить власти, находящиеся в его подчинении, поручить другому правительственному органу или назначить другие правительственные органы власти управлять делами (делом) (или осуществлять контроль) согласно этому закону.

Статья 6. Никакая компания не может быть учреждена до тех пор, пока не она не зарегистрирована в центральном компетентном органе власти.

Статья 7. I.Капитал компании, обратившейся за регистрацией пройдет аудиторскую проверку независимого квалифицированного государственного ревизора; такая компания получит аудиторский сертификат от независимого квалифицированного государственного ревизора в момент обращения за регистрацией или в течение 30 дней после учредительной регистрации компании.

II. Объем капитала компании, обращающейся за изменением (исправлением) зарегистрированного объема капитала, сначала подвергнется аудиторской проверке независимого квалифицированного государственного ревизора.

III. Описанные в предыдущих двух параграфах правила управления процедурой регистрации компании устанавливаются центральными компетентными органами власти.

Статья 8. I.Термин «ответственные лица» компании используется в данном законе для обозначения акционеров, осуществляющих этот бизнес или представляющие компанию в с ограниченной ответственностью или компанию с неограниченной ответственностью с акционерами с ограниченной ответственностью; а также директора компании с ограниченной ответственностью или компании с ограниченной ответственностью в виде акций.

II. Управленческий аппарат или ликвидаторы компании, промоутор, руководитель, инспектор, реорганизатор или руководитель реорганизации компании с ограниченной ответственностью в виде

акций, действующие в рамках должностных полномочий, также являются ответственными лицами компании.

III. *Не*-директор компании, чьи акции выпущены в обращение, но де факто управляющий бизнесом и де факто контролирующий управление персоналом, финансами или бизнесом компании и де факто инструктирующий директора с целью осуществления бизнеса будет нести гражданскую, уголовную и административную ответственность как директор, согласно этому закону. Этот закон, однако, предусматривает, что эти правила не распространяются на инструкции правительства по отношению к директору, назначенному правительством с целью экономического развития, достижения социальной стабильности или других обстоятельств, имеющих общественный интерес.

Статья 9. В компании, где цены за акции (или акционерный капитал), полученные компанией, не были на самом деле уплачены акционерами, но декларированы как уплаченные в заявлении по поводу учредительной регистрации компании, или, где цены за акции были уплачены акционерами, но затем возвращены акционерам или изъяты такими акционерами с разрешения компании после завершения учредительной процедуры, каждое ответственное лицо получит наказание в виде лишения свободы сроком до 5 лет, содержания под арестом или вместо этого, или в дополнение к этому, штрафа в сумме не менее 500 тыс.н.т.д., но не более, чем 2 млн.500 тыс.н.т.д. (NT$ 2,500,0000).

При любых обстоятельствах, установленных в предыдущем параграфе, ответственные лица будут ответственны совместно и коллективно с несколькими такими акционерами за ущерб, понесенный компанией или третьей стороной или сторонами.

При вынесении окончательного решения, установленного здесь в параграфе I, прокуратура уведомит компетентные органы власти о недействительности или аннулировании первоначальной регистрации той компании. При этом будут приняты меры, согласно которым не будут применяться правила, установленные в этом параграфе, если незаконное действие со стороны компании будет исправлено этой компанией по собственной инициативе или в течение периода времени, определенного компетентным органом до вынесения окончательного решения.

После того, как компания получит решение суда о том, что были поданы поддельные документы или исправленные документы при заполнении заявления на регистрацию компании или другие исправления, в окончательном решении прокуратура своим окончательным решением уведомит центральные компетентные органы

о недействительности или аннулировании такой регистрации упомянутой компании.

Статья 10. По любому из обстоятельств, компетентные органы могут по должности или по заявлению заинтересованной стороны, приказать распустить компанию:

1. Когда компания не смогла начать бизнес операции в течение 6 месяцев со дня регистрации, если компания при этом не продлила срок регистрации; или

2. Когда компания после начала бизнес операций прервала свою деятельность по своему собственному усмотрению на период более 6 месяцев, если при этом компания не зарегистрировала прекращение этой деятельности.

3. Когда в окончательном решении суд постановил о запрещении использования имени компании, а компания не регистрирует изменение имени в течение 6 месяцев по приказу компетентных органов сделать это в определенный период времени.

4. Когда компания не получила аудиторский сертификат от независимого квалифицированного государственного ревизора в течение периода времени, предписанного в параграфе 1, статье 7. При этом, однако, должны быть приняты меры к тому, чтобы данные правила не применялись, если компания получила аудиторский сертификат до того, как компетентные органы вынесли приказ о роспуске компании.

Статья 15 (Изъята). Если только при следующих обстоятельствах капитал компании не будет одолжен акционеру компании или любому другому лицу:

1.Когда бизнес транзакция международной компании или международной фирмы потребует такого кредитования; или

2.Когда необходимо произвести краткосрочное кредитование международной компании или международной фирмы, при этом объем такого финансирования не превысит 40% чистой стоимости предприятия-кредитора.

Ответственное лицо компании, которое нарушило положения предыдущего параграфа, будет обязано совместно или коллективно с заемщиком вернуть компании ссуду или компенсировать ущерб, если таковой случится в результате всех действий.

Статья 18. Никакая компания не может использовать корпоративное имя идентичное с именем другой компании. Если корпоративные имена двух компаний содержат какие-то знаки или идентифицирующие слова, соответственно определяющие различия бизнеса двух компаний, такие корпоративные имена не будут рассматриваться как идентичные.

Компания может заниматься любым бизнесом, не запрещенным или ограниченным какими-либо законами или правилами за исключением тех, которые требуют специального одобрения, в полном соответствии со статьями, касающимися учреждения компании.

Согласно решению центральных компетентных органов, любой бизнес компании после прохождения регистрации будет идентифицирован соответственным кодом категорий по таблице категорий бизнесов, применяемым к упомянутому бизнесу.

Компания не будет использовать имя, которое будет ассоциироваться с правительственным агентством или организацией общественного благосостояния, или будет причастно к нарушению общественного порядка или хороших традиций.

Перед процедурой учредительной регистрации компании компания сначала должна обратиться за одобрением или резервацией ее корпоративного имени и сферы деятельности на определенный период времени. Правила для проверки и одобрения такого обращения будут предписаны центральными компетентными органами.

Статья 19. Компания не может осуществлять бизнес операции или совершать юридические акты от имени компании до завершения процедуры учредительной регистрации.

Лицо, нарушившее положение предыдущего параграфа, получит наказание в виде лишения свободы сроком до 1 года, содержания под арестом или вместо этого, или в дополнение к этому, штрафа в сумме до 150 тыс.н.т.д., и понесет личную гражданскую ответственность или совместную или коллективную ответственность в случае, если было двое или более нарушителей.

Статья 20. Компания в конце каждого фискального года подает своим акционерам или собранию акционеров для одобрения и для ратификации ежегодный бизнес отчет и предложение о распределении излишек дохода или покрытия убытков.

Если акционерный капитал компании превышает определенный размер капитала, установленный центральными компетентными органами, то сначала будет произведена аудиторская проверка финансовых отчетов компании и далее она будет сертифицирована квалифицированным государственным ревизором в соответствии с аудиторскими и сертификационными правилами, как предписано центральными компетентными органами. Положение этого параграфа не будет применяться к компаниям, чьи акции предлагаются публично, и которые являются предметом условий в других положениях органов контроля за ценными бумагами и биржей.

Положения параграфа 1, статьи 29 этого закона будут точно применяться в соответствии с назначением, выполнением и

исчислением квалифицированного государственного ревизора, как указано в предыдущем параграфе.

Компетентный орган может в любое время или время от времени направлять своего работника(ов) для проверки или может потребовать от компании в приказном порядке подать в течение оговоренного периода документы или отчеты согласно параграфу 1 этого закона и в соответствии с правилами, предписанными центральными компетентными органами.

При нарушении соответствующих положений предыдущего параграфа I и II, ответственное лицо, нарушившее правила компании, будет оштрафовано на сумму не менее 10 тыс.н.т.д., но не более, чем 50 тыс.н.т.д.; или будет оштрафовано на не менее, чем 20 тыс.н.т.д., но не более, чем 100 тыс.н.т.д., если компания препятствует, отказывается или избегает проверки, или не подает заявление, или нарушает сроки подачи заявления (документов).

Статья 21. Компетентные органы совместно с органами, отвечающими за конец деятельности предприятия в любое время или время от времени могут направлять своих работников инспектировать деятельность и финансовое состояние компании, которая не будет препятствовать, отказывать или избегать такого ответственного работника.

Ответственное лицо компании, которое препятствует, отказывает или избегает инспекции, согласно предыдущему параграфу, будет оштрафовано на сумму не менее 20 тыс.н.т.д., но не более 100 тыс.н.т.д. За последующие действия при условии препятствия, отказа или избегания такой инспекции, ответственное лицо компании будет оштрафовано соответственно в каждом случае на не менее, чем 40 тыс.н.т.д., но не более, чем на 200 тыс.н.т.д.

Когда такое ответственное лицо направляется осуществлять проверку согласно параграфу I настоящего закона, компетентный орган в зависимости от действующих требований назначает квалифицированного государственного ревизора, юриста или любого другого профессионального работника для помощи в проведении такой инспекции.

Статья 22. Во время проверки документов и отчетов, поданных компанией, согласно статье 20, или во время проведения инспекции деятельности и финансовых условий компании, согласно предыдущему параграфу, компетентные органы могут потребовать от компании представить доказательные документы, ваучеры, бухгалтерские книги и отчеты и другую имеющую к этому отношение информацию, но, и если по-другому не прописано в законе, будет хранить ту же конфиденциальную информацию; и после получения документов в

течение 15 дней завершит проверку документов и вернет их этой же компании.

Ответственное лицо компании, которая нарушила положения предыдущего параграфа, отказавшись предоставить такую информацию, будет оштрафовано на не менее чем 20 тыс.н.т.д., но не более, чем на 100 тыс. н.т.д. За последующие отказы предоставлять требуемую информацию, ответственное лицо будет оштрафовано в каждом случае на не менее, чем на 40 тыс.н.т.д., но не более, чем на 200 тыс.н.т.д.

ГЛАВА II КОМПАНИЯ С НЕОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ

Раздел I. Формирование

Статья 40. Компания с неограниченной ответственностью будет иметь двух или более акционеров и, по крайней мере, половина из них (каждый) будет иметь постоянное место жительства (юридический адрес) на территории РК.

Акционеры компании по единогласному соглашению составляют учредительные акты компании, подписывают и скрепляют личной печатью. Учредительные акты будут храниться компанией, одна копия такого акта будет храниться у каждого акционера соответственно.

Статья 41. Учредительные договоры компании с неограниченной ответственностью будут содержать следующие сведения:

1. Название(имя) компании;
2. Сфера деятельности;
3. Имя, юридический адрес или адрес проживания каждого акционера;
4. Общую сумму акционерного капитала и доля каждого акционера в капитале предприятия;
5. Форму, количество, ценность и оценочные стандарты стоимости другой собственности (не наличных денег) внесенных акционерами в акционерный капитал компании, если таковая имеется;
6. Коэффициент или стандарты распределения прибыли или распределения понесенных убытков среди акционеров;
7. Место расположения головного офиса и филиалов, если таковые имеются;
8. Имя акционера, который будет представлять компанию;
9. Имя акционера(ров), кто будет осуществлять бизнес операции компании, если таковые имеются;
10. Причину роспуска компании, если определена;
11. Дату приведения в исполнение учредительного договора.

Если учредительного акта нет в головном офисе компании, то акционер, назначенный представителем компании, будет оштрафован на не менее 10 тыс.н.т.д., но не более 50 тыс.н.т.д. За последовательные нарушения в виде отказов подготовить и предоставить учредительные документы компании каждый раз будет полагаться штраф до 20 тыс.н.т.д., но не более 100 тыс.н.т.д.

Раздел II Внутренние отношения компании

Статья 71. Компания будет распущена в связи со следующими обстоятельствами:

1. Условиями роспуска компании прописаны в учредительном акте.
2. Достижением или невозможностью достижения цели, ради которой компания была учреждена;
3. Единогласным согласим акционеров на роспуск компании;
4. Сокращением числа акционеров до требуемого минимума согласно этому акту;
5. Консолидацией или слиянием с другой компанией;
6. Банкротством; или
7. Приказом или решением суда о роспуске;

В таких случаях, как прописано в пунктах 1 и 2 данного параграфа, если все или часть акционеров согласны продолжать бизнес, они могут его продолжать, а несогласные с данным решением будут считаться, что подали в отставку.

В случаях, прописанных в пункте 4 параграфа 1, новые акционеры могут присоединиться к компании в целях продолжения бизнеса.

В случае продолжения бизнеса при обстоятельствах, описанных в двух предшествующих параграфах, учредительные статьи будут видоизменены.

ГЛАВА III КОМПАНИЯ С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ

Статья 98. Компания с ограниченной ответственностью будет организована одним или несколькими акционерами. Акционеры компании по единогласному соглашению составляют учредительные акты компании, подписывают и скрепляют личной печатью. Учредительные акты будут храниться в головном офисе компании, одна копия такого акта будет храниться у каждого акционера.

Статья 99. Обязательства акционеров компании будут ограничены до размера капитала, внесенного каждым из них.

Статья 100. Акционерный капитал компании с ограниченной ответственностью будет выплачен полностью всеми акционерами, и не

будет выплачиваться в рассрочку или из привлеченных внешних источников.

Статья 101. Учредительные договоры компании с ограниченной ответственностью будут содержать следующие сведения:

1. Имя компании;
2. Сферу деятельности;
3. Имя, юридический адрес или адрес проживания каждого акционера;
4. Общую сумму акционерного капитала и доля каждого акционера в капитале предприятия;
5. Коэффициент или стандарты распределения прибыли или распределения понесенных убытков среди акционеров;
6. Место расположения головного офиса и филиалов, если таковые имеются;
7. Число директоров;
8. Причины роспуска компании, если таковые имеются; и
9. Дату создания учредительных актов.

Директор, уполномоченный представлять компанию и не предоставивший учредительные акты в головном офисе компании, будет оштрафован на не менее 10 тыс.н.т.д., но не более 50 тыс.н.т.д. За последовательные нарушения в виде отказов подготовить и предоставить учредительные документы компании каждый раз будет полагаться штраф до 20 тыс.н.т.д., но не более 100 тыс.н.т.д.

ГЛАВА IV КОМПАНИЯ С НЕОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ АКЦИОНЕРОВ.

Статья 114. Компания с неограниченной ответственностью ограниченной ответственностью акционеров будет организована акционерами с неограниченной ответственностью и акционерами с ограниченной ответственностью.

Акционеры с неограниченной ответственностью понесут совместную неограниченную ответственность по обязательствам компании и акционеры с ограниченной ответственностью будут ответственны только в пределах суммы капитала, вложенной ими.

Статья 126. Компания будет распущена по выходу из бизнеса акционеров с неограниченной ответственностью или с ограниченной ответственностью; однако, оставшиеся акционеры могут по единогласному согласию присоединиться либо к акционерам с неограниченной ответственностью, либо присоединиться к акционерам с ограниченной ответственностью для продолжения бизнеса.

Когда все акционеры с ограниченной ответственностью выходят из бизнеса, как выше упомянуто, двое или более акционеров с неограниченной ответственностью могут по единогласному согласию вновь учредить компанию в новом статусе компании с неограниченной ответственностью.

Если акционеры с неограниченной ответственностью и акционеры с ограниченной ответственностью единогласно решают вновь учредить компанию с новым статусом компании с неограниченной ответственностью, это будет сделано в соответствии с положениями предыдущего параграфа.

ГЛАВА V КОМПАНИЯ С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ В ВИДЕ АКЦИЙ.

Раздел 1. Учреждение компании.

Статья 128. Компания с ограниченной ответственностью в виде акций будет иметь одного или двух промоутеров.

Любое недееспособное или с ограниченной дееспособностью лицо не может быть квалифицировано как промоутер.

Любое государственное агентство или юридическое лицо может стать промоутером, при условии, однако, что юридическое лицо имеет право действовать как промоутер и будет при этом соответствовать следующими требованиям:

1. Что это - компания;
2. Юридическое лицо, которое вносит свой вклад в компанию в качестве инвестиционного в виде запатентованной технологии или прав на интеллектуальную собственность в результате собственных исследований и развития; или
3. Юридическое лицо, которое занимается бизнесом в соответствии с целью, ради которой компания была учреждена, признанным или одобренным центральными компетентными органами, ответственно за окончание данного предпринимательства.

Статья 128-1. Компания с ограниченной ответственностью в виде акций, которая была учреждена единственным государственным акционером или единственным акционером-юридическим лицом, будет освобождена от ограничительных требований, установленных в параграфе 1 предыдущей статьи. Функциональные обязанности и полномочия собрания акционеров такой компании будут исполняться советом директоров, к которому, согласно данному Закону, не будут применены положения по руководству собранием акционеров.

Директора и руководители компании, как установлено в предыдущем параграфе, будут назначаться таким государственным акционером или единственным акционером -юридическим лицом.

Статья 156. Капитал компании, ограниченный акциями, будет разделен на акции, и каждая акция будет иметь одинаковую номинальную стоимость. Часть акций может быть идентифицирована как специальные акции, специфика таких акций будет прописана в учредительных актах.

Общее число акций, согласно предыдущему параграфу, может выпускаться в рассрочку.

Компания может, во исполнение решений совета директоров, обратится в компетентные органы, отвечающие за ценные бумаги, за разрешением публичного выпуска таких акций.

Компания может обратиться за одобрением решения о прекращении статуса публичной компании, принятого на собрании акционеров большинством присутствующих акционеров, которые представляют две трети или более общего количества выпущенных в обращение акций. В случае, если общее количество выпущенных в публичное обращение акций, представленных акционерами на собрании, меньше, чем общий процент акций находящихся у акционеров, то, согласно требованиям предыдущего параграфа, резолюция может быть принята двумя третями присутствующих на собрании акционеров, обладающих правом голоса и представляющих собой большинство выпущенных в обращение акций.

Если компания с публично выпущенными акциями распалась, переехала в неизвестное место или не смогла выполнить обязательства как публичная компания, то, согласно Закону о Ценных Бумагах и Бирже, по основаниям, не применимым к компании, компетентные органы по ценным бумагам могут прекратить публичный статус компании.

В случае, если эта компания находится в собственности правительства, публичный выпуск акций и прекращение статуса публичной компании потребуют специального предварительного одобрения со стороны компетентных органов, отвечающих за такое предприятие.

Акционерный капитал компании, внесенный акционерами наличными деньгами, может быть в форме денежного кредита, предоставленного компании, или технического ноу-хау, или в виде надежной репутации компании. Такой замещенный вклад (субститут) потребует предварительного одобрения Совета директоров компании при условии, что не будет являться предметом ограничений согласно статье 272 данного Закона.

После учреждения компании, компания может, следуя резолюции, принятой большинством голосов на собрании Совета директоров, с присутствующими более, чем двумя третями директоров, выпустить

новые акции в качестве компенсации, выплаченной компанией за приобретение акций другой компании без ограничений, установленных соответственно параграфами с 1 по 3, статей 267 этого Закона.

После учреждения компании для одобрения финансовой структуры или возобновления обычных операций, компания, участвующая в специальном одобрении правительственной «программы по выходу из трудностей» может выпустить и передать новые акции правительству в качестве компенсации за полученную от правительства финансовую помощь.

Такая процедура выпуска не будет служить предметом ограничений в отношении новых акций, установленных согласно этому Закону, и правила будут предписаны центральными компетентными органами.

В случае, если программа по выходу из трудностей, упомянутая в предыдущем параграфе, достигнет 1 млрд.н.т., то компетентные органы специального одобрения и компания, получающая такую помощь для выхода из трудностей, представят план взаимопомощи в Законодательный Юань.

Для акций, выпущенных одновременно и при одних и тех же условиях выпуска, цены выпуска будут одними и теми же. Метод определения цены выпуска для компании, публично предоставляющей акции, будет предписан органами, отвечающими за ценные бумаги.

Статья 157. Когда компания должна выпустить ценные бумаги, компания включит в учредительные акты положения, касающиеся:

1. Порядка, фиксированного количества или фиксированного коэффициента распределения дивидендов и бонуса на специальные акции;

2. Порядка, фиксированного количества или фиксированного коэффициента распределения излишек активов компании;

3. Порядка или ограничения на отсутствие права голоса в момент голосования акционеров, наделенных специальным правом голоса; и

4. Других вопросов, касающихся прав и обязанностей, применимых к специальным акциям.

Раздел 3. Собрание акционеров.

Статья 170. Собрание акционеров будет следующих 2-х типов:

1.Регулярное собрание акционеров: проводится по крайней мере раз в год каждый год.

2. Специальное собрание акционеров: проводится по мере необходимости.

Регулярное собрание акционеров, о котором упоминается в предыдущем параграфе, будет проводиться в течение 6 месяцев по

окончании каждого фискального года, если не возникло серьезной причины для принятия другого решения компетентными органами.

Если директор, уполномоченный представлять компанию, не созывает регулярные собрания акционеров в течение определенного времени, прописанного в предыдущем параграфе, то он будет оштрафован на не менее 10 тыс.н.т.д., но не более 50 тыс.н.т.д.

Статья 171. Собрание акционеров, если по-другому не оговорено в данном Законе, будет созвано Советом директоров.

Раздел 4. Директора и Совет директоров.

Статья 192. В Совет директоров компании войдут, по крайней мере, три директора, которые будут избраны на собрании акционеров из дееспособных лиц.

Компания, чьи акции имели публичную эмиссию, и если процент акций, принадлежащих всем директорам, избранным в соответствии с предыдущим параграфом, является предметом положений, отдельно прописанных компетентными органами по ценным бумагам, такие положения будут преобладающими.

Положения статьи 85 Гражданского Кодекса не применяются к дееспособности, установленной в параграфе 1 этой статьи.

Если не оговорено иначе, отношения между компанией и ее директорами будут осуществляться согласно положениям Гражданского Кодекса, относительно мандата.

Положения статьи 30 будут применяться к директорам компании при неизменности всех факторов.

Статья 192-1. В случае принятия компанией, предлагающей акции для публичного обращения, системы номинирования кандидатов на выборы директоров компании, принятие такой системы будет специально прописано в статьях по учреждению компании; и акционеры будут выбирать директоров из номинированных лиц по списку кандидатов в директора.

Компания перед датой, назначенной для прекращения продажи акций, публично уведомит о периоде номинирования директоров, об избирательной квоте директоров, о месте принятия списка номинантов, и других необходимых вопросах. Период принятия номинирования кандидатов в директора будет не короче, чем 10 дней.

Акционер с 1% или более акций от общего числа выпущенных в обращение акций компании может подать в компанию список кандидатов в директора при условии, что общее количество кандидатов в директора, таким образом номинированных, не превысит избирательную квоту директоров. Это ограничительное условие будет

также применяться к списку кандидатов в директора, номинированных в Совет директоров компании.

Список кандидатов в директора, поданный акционером, как оговорено в предыдущем параграфе, будет содержать имя, образование и прошлый опыт работы кандидата в директора, письмо от кандидата-директора, содержащее согласие каждого кандидата на выполнение функций в случае его/ее избрания, и письменное заявление от каждого о том, что он/она не находятся в обстоятельствах, согласно статье 30 данного Закона, и другие доказательные документы, оформленные и представленные каждым кандидатом в директора.

Если кандидат в директора является акционером - юридическим лицом или его представителем, дополнительная информация и документы, отражающие базовую информацию о регистрации указанного юридического лица и сертификационный документ о количестве акций компании в собственности этого акционера, будут также представлены.

Совет директоров и другие уполномоченные представители собрания акционеров проведут экспертизу и/или проверят данные и информацию каждого номинированного в директора кандидата; и соответственно включат всех квалифицированных кандидатов в директора в окончательный список кандидатов, если только:

1.Список кандидатов не подан номинирующим акционером позднее даты принятия к рассмотрению такого списка кандидатов;

2. Количество акций компании, принадлежащие номинирующему акционеру, не менее 1 % от общего количества выпущенных в обращение акций. И список подается не в дату, назначенную для прекращения продажи акций, в соответствии с параграфом II или III, статьей 165 данного Закона;

3. Когда количество номинируемых кандидатов в директора превышает квоту кандидатов; или

4.Когда соответствующие доказательные документы, требующиеся согласно параграфу IV, не поданы вместе со списком кандидатов.

Результаты экспертизы и /или проверки номинированных кандидатов будут сохранены в письменном виде. Такие записи будут храниться не мене 1 года, при условии, однако, что любой акционер может подать иск по результатам выборов в директора, и в дальнейшем записи будут храниться до тех пор, пока процесс по иску не будет завершен.

Компания будет иметь в распоряжении не позднее, чем за 40 дней до назначенного регулярного собрания акционеров, или не позднее, чем за 25 дней до назначенного специального собрания акционеров, список кандидатов в директора с образованием и предыдущим рабочим

опытом, количеством акций компании, которыми владеют кандидаты, названиями правительственных агентств или именами акционера - юридического лица, ими представляемого, и другую относящуюся и существенную информацию, опубликованную в публичном уведомлении; и проинформирует номинированных акционеров о результатах экспертизы и проверки.

Если кандидат в директора не включен в список квалифицированных кандидатов, причина будет также объявлена номинирующим акционерам о такой дисквалификации кандидатов в директора.

Ответственное лицо компании, которое нарушает положения параграфа II или предыдущих двух параграфов данной статьи будет подвержено штрафу не менее 10 тыс.н.т.д., но не более 50 тыс.н.т.д.

Раздел 6. Бухгалтерия.

Статья 228. В конце каждого фискального года Совет директоров приготовит следующие отчеты и балансовые отчеты и направит их к аудиторам не позднее, чем за 30 дней до даты ежегодного общего собрания акционеров:

1.бизнес отчет;

2.финансовые отчеты; и

3. излишки дохода для распределения или предложения о покрытии убытков.

Финансовые отчеты и балансовые отчеты, согласно требованиям предыдущего параграфа будут подготовлены в соответствии с правилами, прописанными центральными компетентными органами.

Аудиторы могут потребовать от Совета директоров подать заранее финансовые отчеты и балансы для аудита, согласно параграфу I выше.

Раздел 7. Облигации компании.

Статья 246. Компания при наличии решения Совета директоров может выпустить облигации при условии, что причины их выпуска, а также относящиеся к этому вопросы будут доложены собранию акционеров.

Указанное в предыдущем пункте решение Совета директоров должно быть принято большинством директоров на собрании, на котором будут присутствовать не менее двух третей от их общего числа.

Статья 246-1. При выпуске компанией облигаций следует установить очередность выплат по ним при наличии иных обязательств у компании.

Статья 247. Общее количество выпущенных облигаций не будет выше, чем чистая стоимость оставшихся активов компании после вычета обязательств и нематериальных активов. Общее количество необеспеченных облигаций не будет превосходить половину оставшихся чистых активов.

Статья 248. I.Когда компания планирует выпустить облигации, заявление, содержащие следующие особенности будет заполняться органом по ценным бумагам:

1. Название компании;

2.Общее количество выпускаемых облигаций и номинальная стоимость каждой;

3. Процент, выплачиваемый по облигациям;

4.Метод и сроки возмещения погашения облигаций;

5.План привлечения и метод хранения привлеченных фондов;

6.Цель и план использования привлеченных фондов посредством выпуска облигаций;

7.Если облигации выпускались ранее, количество таких облигаций остается непогашенным;

8.Стоимость или минимальная стоимость облигации, предназначенной к выпуску;

9.Общее число официально принятых акций компании и общее число и количество действительно выпущенных акций;

10. Объем баланса всех существующих активов компании за вычетом всех обязательств и нематериальных активов;

11.Финансовые отчеты, которые должны быть подготовлены и поданы в соответствии с требованиями органов по ценным бумагам;

12. Указание в мандатах имен и титулов (имущественное право) доверенных лиц всех держателей облигаций и ковенантов за исключением выпуска облигаций для специальных кредиторов;

13.Указание названия или титула (имущественное право) и адреса банка или почтового отделения, которое производит сборы от имени компании;

14.Указание в мандате имени или титула (имущественное право) подписчика или агента(ов)-распространителей, если таковые имеются, и ковенантов;

15.Тип, название и документы, служащие доказательством ценных бумаг или движимого имущества, если таковое имеется, необходимые для выпуска облигаций;

16.Название или титул (имущественное право) и документы, служащие доказательством гарантов, если таковые имеются, за выпуск облигаций;

17. Фактический и текущий статус предыдущего контракта с нарушением Закона или с просрочкой выплат основной суммы и процентов по долгам компании в отношении ранее выпущенных облигаций или других обязательств, взятых на себя компанией, если таковые имеются;

18.Являются ли выпущенные облигации конвертируемыми в акции, метод конвертирования;

19.Может ли подписной сертификат на акции соединяться с (распространяться на) облигациями и метод исполнения такого права;

20.Включение протоколов заседаний Совета директоров;

21.Другие вопросы, имеющие отношение к выпуску облигаций, или другие требования органов, отвечающих за ценные бумаги.

II. Выпуск облигаций для специальных кредиторов будет без ограничений согласно пункту 2 статьи 249 и пункту 2 статьи 250, при условии, однако, что компания в течение 15 дней после выпуска подаст в органы, отвечающие за ценные бумаги, балансовый отчет по выпуску вместе с относящейся к выпуску информацией для учета облигаций. Компании, имеющие право на выпуск облигаций для специфических кредиторов, не будут ограничены пределами компаний, находящихся в списках центральной торговой площадки или торгующих вне биржи, а также компаниями с публично выпускаемыми акциями.

III.Количество кредиторов, для которых были выпущенные облигации не будет превышать 35 человек, но это ограничение не будет применяться, если подписчиками являются финансовые институты.

IV.В случае изменения особенностей, заявленных в предыдущем параграфе, компания направит заявление о внесении исправлений в орган по ценным бумагам. Ответственные лица, которые не смогли обратиться с заявлением о внесении исправлений, будут оштрафованы органом по ценным бумагам на не менее 10 тыс.н.т.д., но не более 50 тыс.н.т.д.

V. Информация, как требуется в пункте 7; пунктах с 9 по 11; и пункте 17 параграфа I этой статьи, будет проверена и сертифицирована аудитором (амер. здесь - дипломированный бухгалтер высшей квалификации); а информация, согласно пунктам с 12 по 16 будет верифицирована и сертифицирована практикующим юристом.

VI. Доверенные лица, согласно требованиям пункта 12, параграфа I в этой статье, будут ограничены банковскими и трастовыми предприятиями и будут назначены в момент обращения по поводу выпуска облигаций, и их услуги будут оплачены компанией.

VII. В случае, если совокупное количество и стоимость облигаций, конвертируемых, согласно пункту 18, или совокупное количество и стоимость подписанных, согласно пункту 19 параграфа I этой статьи,

плюс общее количество выпущенных в обращение акций, общее количество акций, конвертируемых из облигаций, общее количество акций, подписанных держателями подписных сертификатов акций, предварительно выпущенных, *превышает* общее количество акций, оговоренных в статьях об учреждении компании, выпуск конвертируемых облигаций совершается только после изменения или исправления учредительных статей из-за допущенного превышения акционерного капитала.

Статья 249. При следующих обстоятельствах компания не выпустит необеспеченные облигации:

1. В течение 3 лет с начала ликвидационного периода, когда компания нарушила условия контракта или не выплатила основной капитал и проценты в отношении ранее выпущенных облигаций или других долгов, даже если долг на настоящий момент ликвидирован; или

2. Когда средняя годовая чистая прибыль, после уплаты налогов в течение более 3 последних лет работы компании или в случае, если компания ведет бизнес менее 3-х лет, не достигает 150 % общей суммы процентов, выплачиваемых по облигациям, предполагаемым к выпуску.

Статья 250. При следующих обстоятельствах компания не выпустит облигации:

1.Если компания каким-то образом нарушила контракт или допустила невыплату основного капитала и процентов по ранее выпущенным облигациям или другим долгам и такое положение дел до сих пор сохраняется; или

2. Когда средняя годовая чистая прибыль, после уплаты налогов в течение более 3 последних лет работы компании или в случае, если компания ведет бизнес менее 3-х лет, не достигает 100 % общей суммы процентов, выплачиваемых по облигациям, предполагаемым к выпуску, однако, при условии, что облигации, выпущенные под гарантию банка, не будут ограничены.

Статья 259.Если доходы от реализации облигаций применяются с другой отличной от заявленной цели без предварительного одобрения такого изменения, ответственные лица компании получат наказание в виде лишения свободы сроком до 1 года, содержания под арестом или вместо этого, или в дополнение к этому, штрафа в сумме не более 60 тыс.н.т.д., и будут обязаны компенсировать компании любой убыток или ущерб в результате этих действий.

Раздел 11.Роспуск, объединение или слияние и дробление.

Статья 315. Компания с ограниченной ответственностью в виде акций будет распущена при следующих обстоятельствах:

1. В случае, если роспуск компании специально оговорен в учредительных статьях;

2. При достижении или недостижении цели бизнеса, предпринятого компанией;

3. При принятии резолюции о роспуске компании на собрании акционеров;

4. Когда число акционеров-держателей зарегистрированных сертификатов акций менее 2-х лиц; за исключением случаев, когда единственный акционер является государственным агентством или юридическим лицом;

5. При объединении или слиянии с другой компанией;

6. При дроблении компании;

7. При банкротстве компании; и

8. По приказу о роспуске или решении суда;

При обстоятельствах, оговоренных в пункте 1 предыдущего параграфа, компания может продолжить бизнес операции после одобрения собранием акционеров поправок или изменений учредительных статей; а при обстоятельствах пункта 4 компания может продолжить бизнес операции путем увеличения количества акционеров-держателей зарегистрированных сертификатов акций.

Статья 316. Решение о роспуске, объединении или слиянии и дроблении компании будет одобрено большинством голосов, присутствующих на собрании акционеров, представляющих две трети или более от общего количества выпущенных акций компании.

В компании, производящей публичную эмиссию, если общее количество акций, представленных акционерами, присутствующими на собрании акционеров недостаточно, чтобы отвечать критериям, оговоренным в предыдущем параграфе, резолюция может быть принята двумя третями голосов акционеров, присутствующих на собрании акционеров, представляющих большую часть от общего количества выпущенных в обращение акций.

Тогда, когда требуется более высокий критерий для общего количества акций (большее число акций от общего количества), представленных акционерами, присутствующими на собрании акционеров, и более высокий критерий общего количества голосов (большее количество голосов), требующихся для принятия резолюции, как оговорено в учредительных статьях компании, такой высокий критерий будет предпочтительным. Если компания должна быть распущена по любой другой причине, а не по причине банкротства, Совет директоров уведомит каждого акционера о сущности такого плана о роспуске компании и сделает публичное объявление, если были выпущены сертификаты акций на предъявителя.

Статья 316-1. В случае объединения или слияния двух независимых компаний с ограниченной ответственностью в виде акций и компанией с ограниченной ответственностью, выжившая компания и вновь учрежденная компания, согласно проекту по объединению/слиянию, станет по форме компаний с ограниченной ответственностью в виде акций.

В случае дробления компании с ограниченной ответственностью в виде акций, выжившая компания или вновь учрежденная компания станет по форме компанией с ограниченной ответственностью в виде акций.

Статья 316-2. Когда 90% или более выпущенных акций дочерней компании находятся у контролирующей компании, контролирующая компания может объединиться с упомянутой дочерней компанией согласно резолюции, принятой отдельно на собрании Совета директоров обеих контролирующей и дочерней компании большинством голосов директоров, присутствующих на собрании Совета директоров, присутствующими двумя третями директоров соответствующих компаний; и резолюции о слиянии/объединении таким образом принятые освобождаются от необходимости быть заявленными (от необходимости одобрения), согласно параграфам I и III, Статьи 216 настоящего Закона по поводу управления резолюциями собрания акционеров.

После принятия резолюции Советом директоров компании, согласно предыдущему параграфу, каждому акционеру будет передано уведомление, содержащее информацию о том, что любой акционер, возражающий против данной резолюции, может в 30-дневный или более подать письменное возражение с требованием от дочерней компании возместить по разумной цене стоимость акций, держателем которых он является.

Если цена за погашение акции будет согласована между дочерней компанией и ее акционерами согласно предыдущему параграфу, дочерняя компания в течение 90 дней с даты принятия резолюции Советом директоров осуществит платеж по цене погашения; если такое соглашение о цене погашения не будет достигнуто в предшествующие переговоры в течение 60 дней с даты принятия упомянутой резолюции Советом директоров, акционеры в течение 30 дней по окончании периода 60 дней обратятся в суд за решением его решением по поводу цены погашения акций.

Требование акционеров погасить акции дочерней компанией станут недействительным, если решение о слиянии/поглощении аннулируется дочерней компанией. Тот же пункт применяется, если

акционер не подает требование в период, установленный параграфом II и III этой статьи.

Положения 317 по управлению погашением акций в обладании акционера не будут применяться к контролирующей компании.

Учредительные статьи контролирующей компании нуждаются в поправках после осуществления проекта о слиянии/поглощении согласно положениям статьи 277.

Статья 317. Если компания дробится или объединяется, или происходит слияние с другой компанией, Совет директоров составит план дробления или контракт объединения или слияния по вопросам, относящимся к плану дробления или объединения/ слияния такой компании, и подаст этот план или контракт на собрание акционеров. Любой акционер, выразивший его несогласие в письменной или устной форме, зафиксированной до или в течение собрания, может отказаться от своего права голоса или попросить раздробленную, объединенную/или после слияния компанию вновь купить его акции по более высокой цене. В случае, если другая компания, согласно предыдущему параграфу, является вновь учрежденной компанией, тогда собрание акционеров раздробленной компании будет считаться собранием промоутеров упомянутой компании, и выборы директоров и руководителей такой новой компании могут быть проведены на этом собрании.

Положения статьи 187 и статьи 188 настоящего Закона при постоянстве всех факторов будут применены к обстоятельствам, оговоренным в предыдущем параграфе.

Статья 317-1. Контракт об объединении/слиянии, согласно параграфу 1 предыдущей статьи, будет в письменной форме с указанными подробностями:

1.Название объединенной или после слияния компании, после объединения или слияния название сохранившейся компании или вновь учрежденной компании;

2. Общее число акций, типы акций и количество каждого типа выпущенных акций, сохранившейся компании или вновь учрежденной компании в результате объединения или слияния;

3. Если акции должны быть выпущены сохранившейся компанией или вновь учрежденной компанией для акционеров распущенной компании как результат объединения /слияния, должно быть указано общее количество новых акций, типов акций и количество каждого типа, метод распространения вместе с другими вопросами относительно этого;

4. Соответствующее положение применяется, если количество акций, выпущенных для акционеров распущенной компании после

объединения или слияния меньше, чем стоимость одной акции, и выплачено наличными;

5. Учредительные статьи сохранившейся компании должны быть модифицированы или изменены, или применены статьи, касающиеся вновь учрежденной компании, согласно статье 129.

Упомянутый контракт по объединению или слиянию будет разослан акционерам вместе с уведомлением о необходимости одобрения резолюции по объединению/слиянию на собрании акционеров компании.

Статья 317-2. План по дроблению компании согласно параграфу I будет уменьшен в письменном виде, но при этом будет содержать следующие подробности:

1.Изменения, необходимые произвести в учредительных статьях существующей компании, перенявшей бизнес раздробленной компании, или в полном тексте учредительных статей;

2.Оценка бизнеса, активов и обязательств (пассивов) раздробленной компании, и коэффициента обмена акциями (своп) и расчетную базу;

3.Общее количество, категории, количество новых акций в каждой категории для выпуска существующей компанией, перенявшей бизнес раздробленной компании, или для выпуска акций новой компании для учредительной процедуры;

4.Общее количество, категории, количество акций в каждой категории для приобретения раздробленной компанией или ее акционерами;

5.Положения о порядке раздачи дробной части раздробленной компании или выплате таковой наличными ее акционеру;

6.Права и обязанности раздробленной компании, принятые существующей компании или новой учрежденной компанией, и все вопросы в связи с этим;

7.Если акционерный капитал компании был сокращен, вопросы в связи с сокращением такого капитала;

8.Вопросы, которые будут урегулированы в связи с аннулированием акций раздробленной компании;

9.Когда план по дроблению компании выполняется компанией с другой компанией совместно, резолюция по дроблению компании будут одобрены обеими компаниями, и будут содержать вопросы, относящиеся к процессу такого совместного дробления.

10.План по дроблению компании согласно требованиям предыдущего параграфа будет распространен среди акционеров вместе с уведомлением о собрании акционеров, которое созывается для принятия решения одобрить плана дробления компании.

ГЛАВА VII ИНОСТРАННАЯ КОМПАНИЯ

Статья 370. Название иностранной компании будет переведено на китайский язык, вместе с видом, к которому она принадлежит, будет также указываться ее национальная принадлежность.

Статья 371. Иностранная компания не может обращаться за признанием без прохождения регистрационной процедуры учреждения компании в своей собственной стране и осуществления в ней бизнес операций.

Иностранная компания не может передавать бизнес на территории РК без получения сертификата признания от правительства РК и завершения процедуры регистрации дочернего офиса.

Статья 372. Иностранная компания будет присваивать фонды для исключительно использования в проведении бизнес операций на территории РК, она также будет являться предметом минимальных требований в отношении своего капитала и бизнеса, как может быть предписано полномочным органом.

Иностранная компания назначит представителя на территории РК для представления компании во всех судебных и несудебных процессах, которое будет ответственным лицом (лицами) в РК.

Статья 373. Иностранная компания не будет признана согласно любым из следующих обстоятельств:

1.Если ее цели и бизнес противоречат закону, общественному порядку или доброй традиции РК.

2.Если обнаружено, что любая информация или утверждение, содержащееся в заявительных документах, не соответствует действительности.

Статья 374. Иностранная компания после признания, хранит копию ее учредительных статей в представительском офисе для судебных и несудебных процессов или в офисе дочерней компании на территории РК. В случае, если существуют акционеры с ограниченной ответственностью, хранится также список таких акционеров.

Ответственные лица компании, которые не хранят копии учредительных статей или списки акционеров с ограниченной ответственностью в нарушение данного положения будут оштрафованы на сумму не менее 10 тыс.н.т.д., но не более 50 тыс.н.т.д. За любое подобное нарушение будет взиматься штраф не менее 20 тыс.н.т.д., но не более 100 тыс.н.т.д. за каждое последующее нарушение.

Статья 375. Иностранная компания после получения сертификата о признании будет иметь те же права и обязанности и будет предметом юрисдикции властей, как и местная компания, если другое не предусмотрено законом.

Статья 377. Положения статьи 9, статьи 10 и статьи с 12 по 25 будут применяться соответственно к иностранной компании.

Статья 378. Иностранная компания, получившая сертификат о признании ведения бизнеса на территории РК, и которая желает прекратить этот бизнес, обратится в компетентные органы об отзыве признания; однако это не может освобождать от обязанности и долгов, принятых на себя до заполнения такого заявления.

Статья 379. В случае следующих обстоятельств, полномочные органы отзывают или аннулируют сертификат признания, выданный иностранной компании:

1.Если какие-либо подробности при заполнении заявления о получении признания или другие документы, приложенные к заявлению, окажутся не соответствующими действительности;

2.Компания распущена;

3.Компания объявила банкротство;

Упомянутый отзыв или аннулирование сертификата признания согласно предыдущему параграфу не нарушает каким-либо образом права кредиторов и обязательства компании.

Статья 380. Иностранная компания, сдающая свой сертификат признания, или чей сертификат был отозван или аннулирован, обязана завершить ликвидацию бизнеса или прав и обязанностей дочерней компании на территории РК. А также любые обязательства такой иностранной компании.

Упомянутая ликвидация будет предпринята ответственным лицом иностранной компании на территории РК или руководством дочерней компании. Положения этого закона, относящиеся к процессу ликвидации различного класса компаний, будут соответственно применены к таким иностранным компаниям, согласно их характеру.

Статья 438. Если при обращении за предварительной регистрацией, регистрацией, проведением экспертизы или за копией документа о названии (имени) компании и сферы деятельности, а также по поводу сертификации компании, вся информация зарегистрирована, то компетентные органы взимают плату с заявителя за проведение экспертизы, регистрации, проверки, за копии документов, сертификацию в соответствии со ставкой, назначенной центральными компетентными органами.

COMPANY ACT
(公司法)

Amended Date 2013.01.30

CHAPTER I GENERAL PROVISIONS

Article 1. The term "company" as used in this Act denotes a corporate juristic person organized and incorporated in accordance with this Act for the purpose of profit making.

Article 2. Companies are of four classes as set forth in the following:

1. Unlimited Company: which term denotes a company organized by two or more shareholders who bear unlimited joint and several liabilities for discharge of the obligations of the company.
2. Limited Company: which term denotes a company organized by one or more shareholders, with each shareholder being liable for the company in an amount limited to the amount contributed by him.
3. Unlimited Company with Limited Liability Shareholders: which term denotes a company organized by one or more shareholders of unlimited liability and one or more shareholders of limited liability; among them the shareholder(s) with unlimited liability shall bear unlimited joint liability for the obligations of the company, while each of the shareholders with limited liability shall be held liable for the obligations of the company only in respect of the amount of capital contributed by him.
4. Company Limited by Shares: which term denotes a company organized by two or more or one government or corporate shareholder, with the total capital of the company being divided into shares and each shareholder being liable for the company in an amount equal to the total value of shares subscribed by him.

The name of a company shall indicate the class to which it belongs.

The domicile of a company is the location of its head office.

The term "head office" as used in this Act denotes the principal office first established according to law to take charge of affairs of the entire organization; the term "branch office" denotes branch unit subject to the control of the head office.

Article 4. The term "foreign company" as used in this Act denotes a company, for the purpose of profit making, organized and incorporated in accordance with the laws of a foreign country, and authorized by the R.O.C. Government to transact business within the territory of the Republic of China.

Article 5. The term "Competent authority" as used in this Act shall denote the Ministry of Economics Affairs where the central government is

concerned; or the Bureau of Reconstruction where a municipal government under the jurisdiction of the Executive Yuan is concerned.

The central competent authority may authorize its subordinate authority (authorities) or mandate or appoint other government authority (authorities) to handle the matter(s) set forth in this Act.

Article 6. No company may be incorporated unless it has registered with the central competent authority.

Article 7. I. The capital amount of a company applying for registration of incorporation shall be audited by an independent certified public accountant; such company shall attach an auditing certificate from an independent certified public accountant when applying for registration of incorporation or within 30 days after the registration of incorporation. The capital amount of a company applying for alteration of the registered capital amount shall first be audited by an independent certified public accountant. Regulations governing the process set forth in the two preceding paragraphs shall be prescribed by the central competent authority.

Article 8. The term "responsible persons" of a company as used in this Act denotes shareholders conducting the business or representing the company in case of an unlimited company or unlimited company with limited liability shareholders; directors of the company in case of a limited company or a company limited by shares.

The managerial officer or liquidator of a company, the promoter, supervisor, inspector, reorganizer or reorganization supervisor of a company limited by shares acting within the scope of their duties, are also responsible persons of a company.

For a company whose shares have been issued in public, a non-director who de facto conducts business of a director or de facto controls over the management of the personnel, financial or business operation of the company and de facto instructs a director to conduct business shall be liable for the civil, criminal and administrative liabilities as a director in this Act, provided, however, that such liabilities shall not apply to an instruction of the government to the director appointed by the government for the purposes of economic development, promotion of social stability, or other circumstances which can promote public interests.

Article 9. Where the share prices (or the capital stock) receivable by a company have not been actually paid up by its shareholders, but are declared as having paid up in its incorporation application, or where the share prices have been paid up by its shareholders but are subsequently refunded to its shareholders or withdrawn by such shareholders with the permission of the company after having completed the procedures for company incorporation, the responsible persons shall each be punished with imprisonment for a term of not more than five years, detention, or in lieu thereof or in addition thereto

a fine in AN amount of not less than New Taiwan Dollar Five Hundred Thousand (NT$ 500,000) but not more than New Taiwan Dollar Two Million and Five Hundred Thousand (NT$ 2,500,0000).

Under any of the circumstances set forth in the preceding Paragraph, the responsible persons shall be liable, jointly and severally with such shareholders, for the damages to be sustained by the company or the third party or parties there-from.

Upon rendition of the final judgment for the punishment set out in Paragraph I hereinabove, the Procuratorate concerned shall notify the central competent authority to cancel or to nullify the original registration of that company provided, however, that the provision set out in this Paragraph shall not apply in case the unlawful act has been rectified by the company, either initiatively or within a time limit given by the competent authority, before the judgment becomes final.

After a company has been adjudicated, by a final judgment, to have submitted any forged or altered documents in filing an application for registration of its company incorporation or other company alterations, the Procuratorate concerned shall notify the central competent authority to cancel or to nullify such registration of the said company.

Article 10. Under either of the following circumstances, the competent authority may, ex officio or upon an application filed by an interested party, order the dissolution of a company:

1. Where the company fails to commence its business operation after elapse of six months from the date of its company incorporation registration, unless it has made an extension registration; or

2. Where, after commencing its business operation, the company has discontinued, at its own discretion, its business operation for a period over six months, unless it has made the business discontinuation registration.

3. Where a final judgment has adjudicated to prohibit the company from using its company name, the company fails to make a name change registration after elapse of six months from the final judgment, and fails to make a name change registration after the competent authority has ordered the company to do so within a given time limit.

4. Where the company fails to attach the auditing certificate from an independent certified public accountant within the time period prescribed in Paragraph 1 of Article 7, provided, however, that this shall not apply, if the company has attached such auditing certificate before the competent authority orders a dissolution of the company.

Article 11. In the event of an apparent difficulty in the operation of a company or serious damage thereto, the court may, upon an application from its shareholders and after having solicited the opinions of the competent authority and the central authority in charge of the relevant end enterprises

and having received a defence from the company, make a ruling for the dissolution of the company. The dissolution application to be filed by the company under the preceding Paragraph shall be filed by shareholders who have been continuously holding more than 10% of the total number of outstanding shares issued by the company for a period over six months.

Article 12. In a company, after its incorporation, fails to register any particular that should have been registered or fails to register any changes in particulars already registered, such particulars or changes in particulars cannot be set up as a defence against any third party.

Article 13. A company shall not be a shareholder of unlimited liability in another company or a partner of a partnership enterprise. When a company becomes a shareholder of limited liability in other companies, the total amount of its investments in such other companies shall not exceed forty percent of the amount of its own paid-up capital unless it is a professional investment company, or otherwise provided for in its Article of Incorporation, or has obtained the consent of its shareholders or a resolution adopted by its shareholders' meeting in accordance with any of the following provisions: 1.In the case of an unlimited company or an unlimited company with limited liability shareholders: the unanimous consent of the unlimited liability shareholders;

2.In the case of a limited company: the unanimous consent of its shareholders; or

3.In the case of a company limited by shares: a resolution adopted, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares: In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company whose shares have been issued in public is less than the percentage of the total shareholdings required in the Item 3 of the preceding Paragraph, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.

Where there is any higher percentage of the total number of shares represented by the shareholders present and/or the total number of the voting rights is required in the Articles of Incorporation, such higher percentage shall prevail.

Shares received by a company as a result of distribution of surplus earnings or capitalization of legal reserves by its invested company shall not be included in the total amount of investments set forth in Paragraph One of this Article. The responsible person of a company who has violated the provisions of Paragraph One of this Article shall be liable for the damages incurred by the company there-from.

Article 14 (Deleted).

Article 15. Unless otherwise under any of the following circumstances, the capital of a company shall not be lend to any shareholder of the company or any other person:

1.Where an inter-company or inter-firm business transaction calls for such lending arrangement; or

2.Where an inter-company or inter-firm short-term financing facility is necessary provided that the amount of such financing facility shall not exceed forty percent of the amount of the net value of the lending enterprise. The responsible person of a company who has violated the provisions of the preceding Paragraph shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.

Article 16. A company shall not act as a guarantor of any nature, unless otherwise permitted by any other law or by the Articles of Incorporation of the company. The responsible person who has violated the provision set out in the preceding Paragraph shall take up the surety-ship on his own and shall be liable for the damages, if any, to the company resulted there-from.

Article 17. If the business of a company should require special permission of the government in accordance with the law or an order given by a competent authority duly authorized by the law, such company may apply for company registration only after having received the foregoing government permission document.

Where revocation or rescission of a business permit granted under the preceding Paragraph becomes final, the government authority in charge of the relevant end-enterprise shall advise, by a notice, the central competent authority to cancel or to nullify the company registrations, in whole or in part, previously made by the said company.

Article 17-1. Where a company was operated in a manner in violation of the governing laws and/or regulations and is ordered, by a conclusive injunction, to closedown, the authority giving such injunction shall notify the central authority to cancel the company registrations, in whole or in part, previously made by the said company.

Article 18. No company may use a corporate name which is identical with that of another company. Where the corporate names of two companies contain any marks or identifying words respectively that may distinguish the different categories of business of the two companies, such corporate names shall not be considered identical with each other.

A company may conduct any business that is not prohibited or restricted by the laws and regulations, except for those requiring special approvals which shall be explicitly described in the Articles of Incorporation of the company. Any category of business to be conducted by a company shall,

when making the registration thereof, be identified with the Category Code applicable to the said business category as assigned in the Table of Categories of Businesses by the central competent authority. For a company which has already been registered, and the category of business conducted by it is registered with descriptive words, then, such descriptive words shall be replaced with the applicable Category Code as assigned in the foregoing Table, while applying for alteration of the entries of existing company registration record. A company shall not use a name which tends to mislead the public to associate it with the name of a government agency or a public welfare organization, or has an implication of offending against public order or good customs.

Before proceeding to the company incorporation registration procedure, a company shall first apply for approval and reservation, for a specific period of time, of its corporate name and the scope of its business. Rules for examination and approval of such application shall be prescribed by the central competent authority.

Article 19. A company may not conduct its business operations or commit any juristic act in the name of its company, unless it has completed the procedure for company incorporation registration.

The person who has violated the provision set out in the preceding Paragraph shall be punished with imprisonment for a period of not more than one year, detention, or in lieu thereof or in addition thereto a fine of not more than NT$ 150,000 and shall assume on his own the civil liabilities arising there-from, or shall be jointly and severally liable therefore, in case there are two or more violators. In addition, the company shall be enjoined from using its corporate name for doing its business.

Article 20. A company shall, at the end of each fiscal year, submit to its shareholders for their approval or to the shareholders' meeting for ratification the annual business report, the financial statements, and the surplus earnings distribution or loss make-up proposal.

Where the amount of equity capital of a company exceeds a certain amount as specified by the central competent authority, the company shall first have its financial statements audited and certified by a certified public accountant pursuant to the auditing and certification rules as prescribed by the central competent authority. The provision set out in this Paragraph shall not apply to the companies whose stocks are offered in public and which are subject to the provisions otherwise stipulated by the securities and exchange control authority.

The provisions of Paragraph One, Article 29 of this Act shall apply, mutatis mutandis, to the appointment, discharge and remuneration of the certified public accountant set forth in the preceding Paragraph. The competent authority may, at any time or from time to time, send its officer(s)

to examine or may require, by an order, a company to submit, within a given time limit, the documents and statements set forth in Paragraph I under this Article in accordance with the regulations to be prescribed by the central competent authority.

Upon violation the provisions set out respectively in the preceding Paragraphs I or II, the responsible person of the violating company shall be imposed with a fine of not less than NT$ 10,000 but not more than NT$ 50,000; or shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000 if the company impedes, refuses or evades the foregoing examination or fails to make the submission thereof after expiry of the deadline date.

Article 21. The competent authority may, in conjunction with the authority in charge of the end enterprise concerned, at any time or from time to time, send their respective officials to inspect the operation and financial conditions of a company, to which the responsible person of the company shall not impede, refuse or evade.

The responsible person of a company who impedes, refuses or evades the inspection set forth in the preceding Paragraph shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000. For successive acts in terms of impeding, refusing or evading such inspection, the responsible person of a company shall be imposed successively in each case a fine of not less than NT$ 40,000 but not more than NT$ 200,000. When sending its official to conduct the inspection as set forth in Paragraph I of this Article, the competent authority may, depending on actual requirement, appoint a certified public accountant, a lawyer or any other professional personnel to assist in carrying out such inspection.

Article 22. In examining the documents and statements submitted by a company under Article 20 or in inspecting the operation and financial conditions of a company under the preceding Article, the competent authority may order the company to present evidential documents, vouchers, books and statements and other relevant information, but shall, unless otherwise provided for by law, keep the same as confidential information; and shall complete the examination and return the same to the company within fifteen days after its receipt thereof.

The responsible person of a company who has violated the provisions of the preceding Paragraph by refusing to provide such information shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000. For successive act in terms of refusing to provide the information required, the responsible person of a company shall be imposed in each case a fine of not less than NT$ 40,000 but not more than NT$ 200,000. Article 23

The responsible person of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company there-from.

If the responsible person of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.

In case the responsible person of a company does anything for himself/herself or on behalf of another person in violation of the provisions of Paragraph 1, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company unless one year has lapsed since the realization of such earnings.

Article 24. A dissolved company shall be liquidated, unless such dissolution is caused by consolidation or merger, split-up, or bankruptcy.

Article 25. A dissolved company in the process of liquidation shall be deemed as not yet dissolved.

Article 26. A dissolved company as referred to in the preceding article may, during the period of liquidation, temporarily transact its business for the purpose of settling pending affairs and facilitating the liquidation. Where the official registrations of a company are cancelled or invalidated by the central competent authority, the provisions set out in the preceding three Articles shall apply mutatis mutandis.

Article 26-2. In case a company which has been dissolved, cancelled or nullified its registration, its corporate name can be approved to be used by others' application without subject to the restriction set forth in Paragraph 1 of Article 18, if the company has not completed its liquidation after 10 years from the date of its dissolution, cancellation, or nullification of its registration; or if the company has not been adjudicated by court to end its bankruptcy after 10 years from the date of its bankruptcy registration, provided, however, that the restriction set forth in Paragraph 1 of Article 18 still applies if the company obtains an approval with good cause from the central competent authority 6 months before the expiration of such 10-year period.

Article 27. Where a government agency or a juristic person acts as a shareholder of a company, it may be elected as a director or supervisor of the company provided that it shall designate a natural person as its proxy to exercise, in its behalf, the duties of a shareholder.

1. Where a government agency or a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such

authorized representatives may not concurrently be selected or serve as the director or supervisor of the company.

2. Any of the authorized representatives of a company referred to in Paragraphs I and II of this Article may, owing to the change of his/her functional duties, be replaced by a person to be authorized by the company so as to fulfill the unexposed term of office of the predecessor.

3. Any restriction placed upon the power or authority of the authorized representatives set forth in Paragraph I and Paragraph II of this Article shall not be set up as a defense against any bona fide third party.

Article 28. Any and all public announcements to be made by a company shall be published in a conspicuous place on a daily newspaper circulating in the municipality or county (city) wherein the company is located, except for the public offering companies subject to the provisions otherwise stipulated by the securities and exchange control authority.

Article 28-1. Where service of any official document which should be served to a company can not be executed for any reason, such official document may be served on the responsible person of the said company. If the service still can not be executed, a public notice of such official document may be made instead.

Article 29. A company may have one or more managerial personnel in accordance with its Articles of Incorporation. Appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the following provisions provided, however, that if there are higher standards specified in the Articles of Incorporation, such higher standards shall prevail:

(1) In the case of an unlimited company or an unlimited company with limited liability shareholders, it shall be decided by a majority of all shareholders with unlimited liability;

(2) In the case of a limited company, it shall be decided by a majority of all shareholders;

(3) In the case of a company limited by shares, it shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the company.

Under the circumstance of Article 156, Paragraph 7, the competent authority of special approval shall require the company participating in the governmental special bailout program to provide with a self-help plan and may restrict the remuneration of the managerial personnel of such company or impose other necessary restrictions or disposal on such company in accordance with the regulations to be prescribed by the central competent authority. Managerial personnel shall have a residence or domicile within the territory of the Republic of China.

Article 30. A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently adjudicated guilty by a final judgment, and the time elapsed after he has served the full term of the sentence is less than five years;

2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently punished with imprisonment for a term of more than one year, and the time elapsed after he has served the full term of such sentence is less than two years;

3. Having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years;

4. Having been adjudicated bankrupt, and having not been reinstated to his rights and privileges;

5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or

6. Having no or only limited disposing capacity.

Article 31. The scope of duties and power of managerial personnel of a company may, in addition to what are specified in the Articles of Incorporation, also be defined in the employment contract.

A managerial personnel shall be empowered to manage the operation of the company and to sign relevant business documents for the company, subject to the scope of his/her duties and power as specified in the Articles of Incorporation or his/her employment contract.

Article 32. A managerial personnel of a company shall not concurrently act as a managerial personnel of another company, nor shall he/she operate, for the benefit of his/her own or others, any business which is the same as that of the company employs him/her, unless otherwise concurred in by the company pursuant to the provisions of Paragraph One, Article 29 hereof.

Article 33. A managerial personnel shall not make any change or alteration in any decision made by the directors or the executive shareholder(s), or any resolution adopted by the shareholders' meeting or the board of directors, or go beyond the scope of his/her duties and power when exercising his/her functional duties.

Article 34. A managerial officer who violates any provision of laws or ordinances, or of Articles of Incorporation, or of the preceding article, thereby causing loss or damage to the company, shall be liable to compensate the company.

Article 35 (deleted).

Article 36. Any restriction imposed by a company on the duty and power of managerial officers is not valid as defence against a bona fide third person.

Article 37 (Deleted).

Article 38 (Deleted).

Article 39 (Deleted).

CHAPTER II UNLIMITED COMPANY

Section 1.Formation

Article 40. An unlimited company shall have two or more shareholders, and at least one half of them shall each have a domicile within the territory of the Republic of China.

The shareholders of a company shall, by unanimous agreement, draw up the articles of incorporation for the company and shall affix their respective signatures or personal seals thereon. The Articles of Incorporation shall be kept by the company, and one duplicate thereof shall be held by each shareholder respectively.

Article 41. The Articles of Incorporation of an unlimited company shall contain the following particulars:

1. The name of the company;
2. The scope of business to be conducted;
3. The name, domicile or residence of each shareholder;
4. The total amount of capital stock and the equity capital contributed by each shareholder;
5. The form, quantity, value or appraisal standards of the value of the property other than cash contributed as equity capital by shareholders, if any;
6. The ratio or standards for profit distribution and loss apportionment among shareholders;
7. The location of the head office and the branch office(s), if any;
8. The name of the shareholder designated to represent the company, if any;
9. The name of the shareholder(s) who is (are) designated to conduct the business operations of the company, if any;
10. The cause of dissolution of the company, if defined; and 11 .The date of execution of the Articles of Incorporation.

In case the Articles of Incorporation is not made available at the head office of a company, the shareholder who is designated to represent the company shall be imposed with a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000. For consecutive refusals to prepare and made available of the Articles of Incorporation, a fine in an amount not less than NT$ 20,000 but not more than NT$ 100,000 shall be imposed each time of such consecutive violation.

Section 2.Internal Relations of a Company

Article 42. The internal relations of a company, unless otherwise provided by law, may be prescribed in the Articles of Incorporation.

Article 43. A shareholder may contribute his capital in the form of goodwill, service or other rights, provided that provisions in Article 41, paragraph 1, item 5, be fulfilled.

Article 44. A shareholder who contributes capital by assigning a monetary claim which is not satisfied upon maturity, shall make good the loss and be liable to compensate the company for any damage or loss in consequence thereof.

Article 45. Each shareholder shall have the right to conduct the business of the company and be responsible thereof, but in case the Articles of Incorporation provide for one of several of the shareholders to conduct the business, then that provision shall prevail.

More than one-half of the shareholders who conduct the business as mentioned in the preceding paragraph shall have domiciles within the territory of the Republic of China.

Article 46. When several or the whole body of shareholders are conducting the business a company, then decisions shall be carried out by a majority vote. Each shareholder who conducts the business of a company may act independently in all ordinary affairs, provided that in any matter in which any one of the other shareholders who also conducts company business objects, such objection shall be followed immediately by stopping any further proceeding in the matter.

Article 47. Any modification or alteration in the Articles of Incorporation of a company shall be agreed upon by all of the shareholders.

Article 48. Shareholders who do not conduct business may, at any time, require shareholders who conduct business to furnish information on the business condition of the company and examine its assets, documents, books and statement.

Article 49. A shareholder who conducts business shall not claim remuneration from the company unless there is special agreement to that effect.

Article 50. Shareholder who advance money while conducting the business of the company may demand from the company reimbursement and payment of interest on the sum or sums thus advanced; where a debt is incurred and such debt has not yet matured, he may request the company to furnish appropriate security.

A shareholder who suffers loss or damage through no fault of his own in the course of conducting business may claim compensation from the company.

Article 51. When the Articles of Incorporation provide for one or several of the shareholders to conduct business, such shareholder or shareholders shall not resign without cause nor can other shareholders cause him or them to retire without cause.

Article 52. A shareholder shall conduct business in accordance with laws and ordinances, Articles of Incorporation, and decisions of the shareholders. A shareholder who acts in violation of the aforesaid provision thereby causing loss or damage to the company, shall be liable to compensate the company.

Article 53. A shareholder who receives money on behalf of the company and does not turn in the said sum within a reasonable period of time, or appropriates the sum for his own use, shall repay the said money with interest and compensate the company for any loss or damage sustained thereby.

Article 54. A shareholder, without the unanimous consent of all other shareholders, shall not be a shareholder of unlimited liability of another company or a partner in a partnership business.

A shareholder who conducts business of the company, shall not, on his own account or on behalf of another, engage in the same business as that of the company.

In case a shareholder who conducts business of the company violates the provisions of the preceding paragraph, all other shareholders may, by a majority of vote, consider the earnings in such an act as earnings of the company unless one year has lapsed since the realization of such earnings.

Article 55. A shareholder, without the unanimous consent of all other shareholders, shall not transfer to another person all or a part of his contribution to the capital of the company.

Section 3.External Relations of a Company

Article 56. A company may, by its Articles of Incorporation, designate one or more shareholders to represent the company, and in the absence of such a provision each shareholder may represent the company.

The provision of Article 45, Paragraph 2, shall apply mutatis mutandis to the shareholder or shareholders who represent the company.

Article 57. A shareholder who represent the company shall have power to conduct all affairs pertaining to the business of the company. Article 58

Any restriction imposed by the company power of representation of a shareholder cannot be set up as a defence against a bona fide third person.

Article 59. When a shareholder who represents the company buys or sells, lends or leases, or does any juristic act vis-a-vis the company on his own account or on behalf of another, he shall not at the same time represent

the company; however, the repayment of debt to the company shall be excepted.

Article 60. When the assets of the company are not sufficient to meet its liabilities, the shareholders shall be jointly liable.

Article 61. Any one who becomes a shareholder of a company shall also be liable for the liabilities of the company contracted prior to his being shareholder.

Any one who is not a shareholder, but leads other to believe that he is a shareholder, shall have the liabilities vis-a-vis a bona fide third person as though he were a shareholder.

Article 63. A company, unless losses have been covered, shall not make distribution of surplus profit.

Responsible persons of the company, acting in violation of the aforesaid provision, shall be severally subject to imprisonment not exceeding one year, detention, or singularly or in addition thereto a fine not exceeding NT$60,000.

Article 64. A debtor of a company cannot set off his debt to the company against his claim vis-a-vis a shareholder.

Section 4.Withdrawal of Shares

Article 65. In case the continuance of existence of a company is not specified in its Articles of Incorporation, and except that the rules for withdrawal of share capital are otherwise established, any shareholder of the company may withdraw his/her share capital upon close of each fiscal year, provided that a six-month prior notice of such intent in writing shall be given to the company. A shareholder may, upon occurrence of a significant cause not attributable to him/her, withdraw his/her share capital at any time, regardless whether or not the continuance of existence of the company has been specified in its Articles of Incorporation.

Article 66. In addition to the cases mentioned in the preceding article, every shareholder shall cease to be one under any of the following circumstances:

1. The occurrence of a condition for withdrawal of shares stipulated in the Articles of Incorporation;
2. Death;
3. Bankruptcy;
4. Adjudication of the commencement of guardianship or assistantship;
5. Expulsion; and
6. Compulsory execution of the shareholder's contribution to the capital by the court.

Where a shareholder shall cease to be one under item 6 of the preceding Paragraph, the execution court shall notify the company and other shareholders two months in advance of the compulsory execution.

Article 67. A shareholder may, by unanimous agreement of all other shareholders, be expelled under any of the following circumstances:

1. Inability to contribute the capital which should have been contributed or failure to do so despite repeated demand;

2. Violation of the provisions of Article 54 Paragraph 1;

3. Improper conduct detrimental to the interest of the company; and

4. Failure to attend to important duties of the company; however, such expulsion shall not be valid in respect of such a shareholder until after due notice has been given.

Article 68

If the name of a company contains the surname or a full name of a shareholder, such shareholder may, upon withdrawal of his shares, request the company to discontinue the use of his name.

Article 69. The settlement of account of a retiring shareholder shall be based on the financial condition of the company at the time of his withdrawal. The contribution of the retiring shareholder shall, whatever the nature of his contribution, be repaid in cash.

If, at the time of withdrawal, certain affairs of the company have not yet been concluded, then allocation of a retiring shareholder's share of profit and loss shall only be made after the due conclusion of such affairs.

Article 70. For withdrawal of share capital, a shareholder of a company shall file an application for share capital withdrawal with the competent authority for registration thereof, and shall, within two years after such withdrawal registration, stay liable, jointly and severally and without limitation, for the liabilities incurred by the company.

The provisions set out in the preceding Paragraph shall apply mutatis mutandis, to the shareholder of a company transferring his/her capital contribution.

Section 5.Dissolution, Consolidation or Merger and Reincorporation

Article 71. A company shall be dissolved under any of the following circumstances:

1. The occurrence of the conditions for dissolution stipulated in the Articles of Incorporation;

2. The accomplishment or impossibility of accomplish- ment of the purpose for which the company has been formed;

3. Unanimous agreement of all shareholders;

4. The reduction of the number of shareholders to a number below the minimum required by this Act;

5. Consolidation or merger with another company;
6. Bankruptcy; or
7. Order or judgment for dissolution.

In such cases as specified in items 1 and 2 of the aforesaid paragraph, if all or a part of the shareholders agree to continue the business, they may so continue, and those disagreed are deemed to be retired. In the case specified in Item 4 of Paragraph 1, new shareholders may join the company to continue the business.

In case of continuation of the business under the circumstances specified in the two preceding paragraphs, the Articles of Incorporation shall be modified.

A company may, with the unanimous agreement of all shareholders, consolidate or merge with another company.

Article 73. A company shall, upon adoption of a resolution to enter into the process of company merger or consolidation, prepare a balance sheet and an inventory of property.

A company shall, after having resolved to enter into the process of company merger or consolidation, give a notice to each creditor of the company as well as a public notice of such resolution, and shall fix a time limit of not less than thirty (30) days within which the creditors may raise their objections, if any, to such resolution.

Article 74. A company which fails to give the individual notice or the public notice or to settle its liabilities with or to provide an appropriate security for the claims of the creditors who have made objections within the time limit fixed under the preceding Paragraph shall not set up the company merger or consolidation resolution as a defence against such creditors.

Article 75. Rights and obligations of a company ceasing to exist after consolidation or merger shall be assumed by the surviving or new company.

Article 76. A company may, with unanimous agreement of all shareholders, change a part of its shareholders to shareholders with limited liability or admit shareholders of limited liability and reincorporate it into an unlimited company with limited liability shareholders.

The provisions of the aforesaid paragraph shall mutatis mutandis apply to a company continuing business in accordance with the provisions of Article 71, Paragraph 3.

Article 77. The provisions of Article 73 to 75 shall mutatis mutandis apply to the reincorporation of a company under the preceding article.

Article 78. The shareholders who become shareholders of limited liability under Article 76, Paragraph 1, shall still bear joint and unlimited responsibility for the obligations which the company acquired prior to its reincorporation, for a period of two years following registration of such reincorporation.

Section 6.Liquidation

Article 79. Unless otherwise provided in this Act or in the Articles of Incorporation or unless liquidators are otherwise appointed by a resolution adopted by the shareholders, liquidation of a company shall be undertaken by all of its shareholders.

Article 80. In the event of death of a member of the shareholders during a time of liquidation undertaken by all of them, participation of the deceased in the liquidation shall be undertaken by his successor. If there are several successors one of them shall be nominated from among themselves.

Article 81. In case a liquidator or liquidators cannot be determined in accordance with the provisions of Article 79, the court may, upon application by a concerned party, appoint a liquidator or liquidators.

Article 82. The court may, if it deems it necessary, upon the application of a concerned party, remove the liquidator; however, a liquidator chosen by shareholders may also be removed by a majority vote of the shareholders.

Article 83. A liquidator shall, within fifteen days after having assumed office, file a report to the court, setting forth his name, domicile or residence, and the date on which he assumed office.

The removal of a liquidator shall be reported to the court by the shareholders within fifteen days.

When a liquidator is appointed by the court, public announcement shall be made, and the same procedure shall be followed when a liquidator is removed. A person who fails to comply with the time-limit for filing a report as provided for in Paragraph 1 or Paragraph 2 shall be subject to a fine of not less than NT$3,000, but no more than NT$15,000.

Article 84. The duties of a liquidator are as follows:

1. To wind up all pending business;
2. To collect all outstanding debts and to pay off all claims;
3. To allocate surplus or loss; and
4. To allocate the residual assets.

The liquidator in performing the aforesaid duties shall have the power to act on behalf of the company in all litigation matters; however, the transfer of the business including assets and liabilities to others shall be effected only if all shareholders so concur.

Article 85. In case of more than one liquidator, one or more may be selected to represent the company. If no one is so selected, each shall have the power to represent the company toward a third person. The execution of liquidated affairs shall be decided by a majority of liquidators.

Liquidators selected to represent the company shall, by mutatis mutandis application of the provision of Article 83, paragraph 1, file a report to the court.

Article 86. Any restriction imposed upon the power of representation of a liquidator shall not be asserted as a defense against a bona fide third person.

Article 87. The liquidators shall, forthwith upon assuming the office, examine the financial condition of the company and prepare a balance and an inventory of property, and shall deliver the same to all shareholders for their review.

Any person who impedes, refuses or evades the examination to be conducted under the provisions of the preceding Paragraph shall be imposed with a fine in an amount not less than NT$ 20,000 but not more than NT$ 100,000.

The liquidators shall complete the examination within a period of six months; and if the examination can not be completed within the foregoing six month, an application, with good cause shown therein, for extension of the deadline date may be filed with the competent court by the liquidators.

The liquidators who failed to complete the examination within the time limit fixed in the preceding Paragraph shall each be imposed with a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000.

The liquidators shall, upon request made by any shareholder at any time or from time to time, provide the current status of progress of the liquidation process.

The liquidators who failed to comply with the provision set out in the preceding Paragraph shall be imposed with a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000.

Article 88. The liquidators shall by public announcement, after having assumed office, call the creditors to make statements of claims and send notice to known creditors.

Article 89. Where the aggregate of the assets of a company is insufficient to satisfy its liabilities, the liquidators shall file an application for declaration of bankruptcy. The functional duties of liquidators shall terminate upon transfer of the matters transacted by them to the receiver in bankruptcy.

The liquidators who violated the provision set out in Paragraph One of this Article by failing to apply for declaration of bankruptcy shall each be imposed with a fine in an amount not less than NT$ 20,000 but not more than NT$ 100,000.

Article 90. The liquidators shall not allocate the assets of the company to the shareholders until all liabilities of the company have been discharged.

The liquidators who allocate assets of the company in violation of the aforesaid provision shall be severally subject to imprisonment for a period not exceeding one year, detention or, singularly or in addition thereto, a fine not exceeding NT$60,000.

Article 91. The distribution of residual assets, unless otherwise provided for in the Articles of Incorporation, shall be based on the ratio of net contribution of such shareholder after allocation of profit or loss.

Article 92. The liquidators shall, within fifteen days after winding up the company, draw up a final statement to be submitted to shareholders for approval. The shareholders shall be deemed to have given approval, if no objection is raised within one month after having received the said statement; however, unlawful conduct on the part of the liquidators shall be excepted.

Article 93. The liquidators shall, within fifteen days after completing of the liquidation and presentation of a report to shareholders for approval, file a report with the court.

Liquidators who violate the aforesaid time-limit for filing a report, shall be severally subject to a fine of not less than NT$3,000, but not more than NT$15,000.The account books, statements and documents relating to business and liquidation affairs of the company shall be kept for a period of ten years from the date of filing a report to the court after completion of liquidation, and the custodian of the aforesaid materials shall be appointed by a majority of the shareholders.

Article 95. The liquidators shall perform their duties with care of a good administrator. In case of any loss or damage to the company in consequence of their lack of care, they shall be jointly liable to make good such loss or damage to the company; and if due to any intentional act or gross negligence, they shall in addition be jointly liable to make good such loss or damage to any third person.

Article 96. The joint and unlimited liability of the shareholders shall terminate five years after filing articles of dissolution.

Article 97. The relation between liquidators and a company shall, unless otherwise provided in this Act, be determined in accordance with the provision contained in the Civil Code pertaining to mandate.

CHAPTER III LIMITED COMPANY

Article 98. A limited company shall be organized by one or more shareholders. The shareholders of a company shall, with an unanimous agreement, draw up the Articles of Incorporation and shall affix their respective signatures or personal seals thereon. The articles of incorporation shall be kept at the head office of the company, and a duplicate thereof shall be held by each shareholder of the company.

The liability of shareholders to the company shall be limited to the extent of the capital contributed by each of them.

Article 100. The capital stock of a limited company shall be paid up in full by all its shareholders, and shall not be paid in installments nor be raised from external sources.

Article 101. The Articles of Incorporation of a limited company shall contain the following particulars:

1. The name of the company;
2. The scope of business to be operated by the company;
3. The name, domicile or residence of each shareholder;
4. The aggregate of capital stock and the capital contribution made by each shareholder;
5. The ration or standards for profit distribution and loss apportionment among all shareholders;
6. The location of the head office and the branch office(s), if any;
7. The number of directors;
8. The causes of dissolution of the company, if any; and
9. The date of establishment of the articles of incorporation.

The director who is authorized to represent a limited company and failed to make the articles of incorporation available at the head office of the company shall be imposed with a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000. For successive refusals to make available the articles of incorporation as required, the amount of fine shall be increased to an amount not less than NT$ 20,000 but not more than NT$ 100,000 upon each successive refusal.

Article 102. Each shareholder shall have one vote irrespective of the amount of his contribution to capital; however, the Articles of Incorporation may prescribe that votes shall be allocated to the shareholders in proportion to their responsible contributions to capital.

In case the government or a juristic person becomes a shareholder, the provisions in Article 181 shall mutatis mutandis apply.

Article 103. A limited company shall keep at its head office a shareholders roster, which shall contain the following particulars:

1. The amount of capital contribution made by each shareholder, and the serial number of the share certificate issued to him/her;
2. The name or title, domicile or residence of each shareholder; and
3. The date of payment of share equity by each shareholder.

The director who is authorized to represent the company and failed to make the shareholders roster available at the company shall be imposed with a fine not less than NT$ 10,000 but not more than NT$ 50,000. For successive refusals to make the shareholders roster available at the company, the amount of the fine shall be increased to not less than NT$ 20,000 but not more than NT$ 100,000 for each successive refusal.

Article 104. A company shall, after having been incorporated, issue certificates of amounts contributed setting forth the following particular:

1. The name of the company;
2. The date of incorporation;

3. The full name or title of the shareholder and the amount of his contribution to capital; and

4. The date of issue of the certificate of amount contributed.

The provisions of Article 162, Paragraph 2, proviso to Article 163, Paragraph 1 and Article 165 shall mutatis mutandis apply to certificates of amounts contributed.

Article 105. The certificate of capital contributions to be issued by the company shall be affixed with the signatures or personal seals of all shareholders.

Article 106. Increase of the amount of capital stock of a limited company shall be concurred in by a majority of all shareholders. However, even if a shareholder has agreed to the capital increase plan of the company, he/she has no obligation to contribute for the increased portion of the capital stock proportionally to the percentage of his/her original shareholding in effect prior to the capital increase.

The shareholders of a limited company who disagree with the capital increase proposal set forth in the preceding Paragraph shall be deemed to be in agreement with the portion of amendment made in the Articles of Incorporation in respect to such capital increase.

Under the circumstance set forth in the proviso of Paragraph One of this Article, new shareholders may be allowed to join the company with an unanimous agreement of all existing shareholders.

Subject to an unanimous agreement of all shareholders, a limited company may effect a capital reduction project or convert its organization into a company limited by shares.

Article 107. After the company has adopted a resolution for the change of organization, it shall immediately notify each of its creditors and make a public announcement. A company, after the change of organization, shall accept the debt owned by it prior to its change of organization.

Article 108. A limited company shall have at least one but not more than three directors to execute the business operation and to represent the company who shall be elected from among the shareholders with disposing capacity and shall be approved by two thirds or more of all the shareholders. When there are several directors, one of them shall be designated, in the Articles of Incorporation, to act as the chairman of directors and to represent the company externally. In case the or an executive director is on leave or unable to exercise his/her functional duties for any reason, a shareholder shall be designated to act in his/her behalf; and if no representative is so designated, the representative shall be elected by the shareholders from among themselves. Where a director intends to conduct, for the benefit of his/her own or others, a business of the same kind as that of the company, he/she shall make an explanation to all shareholders about the important

contents of such act and shall obtain a prior consent of a majority (two thirds or more) of all shareholders.

The provisions set out in Article 30, Article 46, Articles 49 through 53, Paragraph Three of Article 54, Articles 57 through 59, Paragraph Three of Article 208, Article 208-1, and Article 211 of this Act shall apply mutatis mutandis to the directors of a limited company.

Article 109. Shareholders who do not conduct business may, from time to time, exercise power of audit, and the provisions in Article 48 shall mutatis mutandis apply to such power of audit.

Article 110. Upon close of each fiscal year, the directors shall prepare various reports and financial statements in accordance with the provisions of Article 228 of this Act and shall send the same to each of the shareholder for their approval. If no objection is raised by any shareholder over a period one month after the annual reports and financial statements referred to in the preceding Paragraph have been duly served to the shareholders, they shall be deemed to have been approved by all shareholders.

The provisions set out in Articles 231 through 233, Article 235, and Paragraph One of Article 245 of this Act shall apply mutatis mutandis to a limited company.

Article 111. A shareholder shall not, without the consent of a majority of all other shareholders, transfer all or part of his contribution to the capital of the company to another person or persons.

The shareholders who disagree with the transfer as mentioned in the preceding paragraph, shall have priority to accept such transfer. If they do not accept the transfer, it shall be deemed that their consent has been given for the transfer and to amend the Articles of Incorporation in regard to matters relating to the shareholders and the amount of their contribution to the capital of the company.

The directors shall not, without the unanimous consent of all other shareholders, transfer all or part of their contribution to the capital of the company to another person or persons.

The court shall, in transferring a shareholder's contribution to the capital of a company to another person or persons through the proceedings of compulsory execution, order the company and all other shareholders to designate, within twenty days the transferee or transferees in accordance with the manner set forth in Paragraph 1 or Paragraph 3. In case the transferee or transferees are not designated within the prescribed time limit or the transferee or transferees designated do not accept the terms and conditions set forth for the transfer, it shall be deemed that consent has been given for the transfer and for the modification or alteration of the Articles of Incorporation in regard to matters relating to the shareholders and the amount of their contribution to the capital of the company.

Article 112. A company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply.

Aside from the aforesaid legal reserve, a company may, by the provisions of its Articles of Incorporation or with the unanimous agreement of all shareholders, appropriate another sum as a special reserve.

Responsible persons of a company who fail to set aside a legal reserve in violation of the provisions in Paragraph 1, shall be severally subject to a fine not exceeding NT$60,000.

Article 113. For modification of Articles of Incorporation, consolidation or merger, dissolution and liquidation of a company, the relevant provisions of the unlimited company shall apply mutatis mutandis.

CHAPTER IV UNLIMITED COMPANY WITH LIMITED LIABILITY SHAREHOLDERS

Article 114. An unlimited company with limited liability shareholders shall be organized by shareholders of unlimited liability and shareholders limited liability. Shareholders of unlimited liability shall bear joint unlimited liability for obligations of the company, and shareholders of limited liability shall be liable to the company only to the extent of the capital contributed by them.

Article 115. The provisions of Chapter II shall mutatis mutandis apply to an unlimited company with limited liability shareholders unless otherwise provided for in this chapter.

Article 116. The Articles of Incorporation of an unlimited liability with limited liability shareholders shall, in addition to particulars set forth in Article 41, state the liability of each shareholder whether unlimited or limited.

Article 117. A shareholder of limited liability cannot contribute his capital in the form of goodwill or service.

Article 118. Any shareholder with limited liability may, upon close of each fiscal year, examine the accounting books and records, the current condition of the business operations and the property of a limited company; and when it is deemed necessary, the court may, at the request of the shareholders with limited liability, allow them to examine at any time the accounting books and records, and the conditions of the business operations and the property of the company.

Any person who impedes, refuses or evades the examination set forth in the preceding Paragraph shall be imposed with a fine in an amount not less than HT$ 20,000 but not more than NT$ 100,000. For successive impeding, refusing or evading acts, if any, the amount of fine shall be increased for

each successive impeding, refusing or evading act to not less than NT$ 40,000 but not more than NT$ 200,000.

Article 119. A shareholder of limited liability shall not, without the consent of a majority of shareholders of unlimited liability, transfer all or part of his contribution to the capital of the company to an other person or persons.

The provisions of Article 111, Paragraph 2 and 4, shall mutatis mutandis apply to the transfer of contribution specified in the preceding paragraph.

Article 120. A shareholder of limited liability may engage in the same business as that of the company either on his own account or on behalf of another and may also become a shareholder of unlimited liability in another company or a partner in partnership business.

Article 121. A shareholder of limited liability who leads others to believe that he is a shareholder of unlimited liability, shall be liable to bona fide third person as though he were a shareholder of unlimited liability.

Article 122. A shareholder of limited liability can neither conduct the business of the company nor represent the company in its external affairs.

Article 123. A shareholder of limited liability may not withdraw his contribution to the capital by reason of an adjudication of the commencement of guardianship or assistantship.

Upon the death of a shareholder of limited liability, his contribution to the capital shall devolve upon his successors.

Article 124. A shareholder of limited liability may withdraw his shares due to some serious cause for which he is not personally responsible with the consent of a majority of the shareholders of unlimited liability, or he may apply to the court for sanction to withdraw.

Article 125. A shareholder of limited liability may, with the unanimous agreement of all shareholders of unlimited liability, be expelled under any of the following circumstances:

1.Non-performance of his obligation to contribute his capital share; or

2.Improper conduct detrimental to the interest of the company. The aforesaid expulsion shall not be valid in respect to such shareholder until after due notice shall have been given to him.

Article 126. A company shall be dissolved upon the withdrawal of all shareholders of unlimited liability or of limited liability; however, the remaining shareholders may, with unanimous agreement, join with either shareholders of unlimited liability or shareholders of limited liability to continue the business. When all shareholders of limited liability withdraw as aforesaid, two or more shareholders of unlimited liability may, with unanimous agreement, reincorporate the company into an unlimited company. When shareholders of unlimited liability and shareholders of limited liability unanimously agree to reincorporate the company into an

unlimited company, it shall be done in accordance with the provisions of the preceding paragraph.

Article 127. Liquidation shall be undertaken by all shareholders of unlimited liability, provided that liquidators may be otherwise appointed by a resolution adopted by a majority of the shareholders of unlimited liability; the same shall apply to the discharge of such liquidators.

CHAPTER V COMPANY LIMITED BY SHARES

Section 1.Incorporation

Article 128. A company limited by shares shall have two or more promoters.

Any person without disposing capacity or with limited disposing capacity is not qualified as a promoter.

Any government agency or any juristic person may become a promoter, provided, however, that the juristic person eligible to act as a promoter shall be limited to that conforming to any of the following requirements:

1. A company;
2. A juristic person which contributes any proprietary technology or intellectual property right created on its own through research and development as its investment capital contribution; or
3. A juristic person which is operating a category of business that has been recognized and approved to be in conformity with the objective of its incorporation by the central authority in charge of the end enterprise involved.

Article 128-1. A company limited by shares which is organized by a single government shareholder or a single juristic person shareholder shall be free from restrictive requirement set out in Paragraph One of the preceding Article. The functional duties and power of the shareholders' meeting of such company shall be exercised by its board of directors, to which the provisions governing the shareholders' meeting as set out in this Act shall not apply.

The directors and supervisors of the company referred to in the preceding Paragraph shall be appointed by such government shareholder or juristic person shareholder.

Article 129. The promoters of a company limited by shares shall draw up the Articles of Incorporation containing the following particulars and shall affix thereon their respective signatures or personal seals:

1. The name of the company;
2. The scope of business to be operated by the company;
3. The total number of shares and the par value of each share certificate;
4. The location of the company;

5. The number of directors and supervisors, and the term of their respective offices; and

6. The date of establishment of the Articles of Incorporation.

Article 130. The following matters shall not take effect, unless they are stipulated in the Articles of Incorporation:

1. Establishment of branch office;

2. The number of shares to be issued upon incorporation of the company, if the total authorized number of shares are to be issued in installments;

3. The cause(s) for dissolution of the company, if any:

4. The kind of special shares and the rights and obligations covered by such shares; and

5. Special benefits to be accorded to promoters, and the name of such beneficiaries.

The shareholders' meeting may make change of the special benefits accordable to promoters under the provision set out in Item 5 of the preceding Paragraph provided that such change shall not result in any prejudice to the benefits already accrued to the promoters.

Article 131. The promoters, after having subscribed in the first issue to the total number of shares, shall make full payment for the numbers of shares respectively subscribed to, and elect directors and supervisors.

The provisions of Article 198 shall apply mutatis mutandis to the aforesaid election.

The payment for shares as mentioned in the first paragraph may be made in assets required in the business of the company.

Article 132. In case the promoters have not subscribed to the total number of shares in the first issue, the remainder shares shall be subscribed to by solicitation. When the aforesaid subscription to shares is to be solicited, special shares may be issued in accordance with the provisions of Article 157.

Article 133. The promoters, when publicly soliciting subscriptions to shares, shall first have the following documents and information prepared, and then file the same along with an application to the authority in charge of securities exchange for examination and approval:

1. Business plan;

2. Full names and resumes of the promoters, and the number of shares subscribed, and the kind of contribution;

3. Prospectus;

4. Names and locations of banks or post offices authorized to collect payment for shares subscribed;

5. Names of underwriters or agents, if any, and the covenants between the promoters and such underwriters or agents; and

6. Other matters as may be prescribed by the authority in charge of securities exchange.

The total number of shares subscribed by the aforesaid promoters shall not be less than one-fourth of the total number of shares in the first issue. Within thirty days after receiving a notice from the authority in charge of securities exchange, all documents and information specified in various items of Paragraph 1 of this Article shall be annotated with the reference number and date of the approval letter and publicly announced provided, however, that the covenants referred to in Item 5 of the Paragraph 1 may be exempt from public announcement.

Article 134. Banks or post offices authorized to collect payments for shares subscribed to shall have the obligation to certify the amount of money received, and the amount so certified shall be deemed as the capital money already received.

Article 135. Upon finding either of the following discrepancies in an application for public offering of shares, the authority in charge of securities may disapprove the application or may revoke its approval previously granted to the applicant: 1. Where any statement made in the application is found to be contrary to the applicable laws and/or regulations or to be false; or 2. Where there is any change in the matters described in the application; and no correction thereto has been made within a given time limit after having been required to do so.

Under the circumstance set forth in Item 2 of the preceding Paragraph, the authority in charge of securities may impose on each of the promoters a fine in an amount not less than NT$ 20,000 but not more than NT$ 100,000.

Article 136. In case of annulment of approval in accordance with the preceding articles, the solicitation shall be cancelled if not yet in progress.

If solicitation is already in progress, persons so drafted may demand a refund of the original issuing value of shares plus interests thereon to be calculated at the legal rate.

Article 137. The prospectus shall state the following particulars: 1.Particulars set forth in Article 129 and Article 130; 2.Number of shares subscribed to by each of the promoters; 3.If share certificates are issued above par value, the issuing value; 4.The time-limit for full subscription by solicitation and the statement that if the shares are not subscribed in full within such time-limit, the subscribers may rescind their subscription; 5.In case special shares are issued, the total amount of such shares and the matters specified in various items of Article 157; and 6.In case bearer shares are issued, the total number of such shares.

Article 138. The promoters shall prepare a share subscription form indicating therein the matters required in Paragraph One, Article 133 and the reference number and the date of the approval letter given by the authority in

charge of securities, and shall make such form available to the subscribers for them to fill in the number and amount of the shares to be subscribed and their respective domiciles or residences, and to affix thereon their respective signatures or personal seals.

In case the share certificates are issued at a premium, the subscribers shall indicate in the share subscription form the amount of share price they agree to pay.

In the event the promoters violate the provisions of Paragraph One of this Article by failing to prepare and make available the share subscription forms, the authority in charge of securities shall impose on them a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000.

Article 139. Subscribers shall have the obligation to pay for the shares they have subscribed to in the subscription form.

Article 140. The issue price of share certificates shall not be less than the par value thereof, unless otherwise provided for by the authority in charge of securities for the companies offering their respective share certificates to the public. When the total number of shares in the first issue has been subscribed to in full, the promoters shall immediately press each of the subscribers for payment. Where share certificates are issued above the par value thereof, the amount in excess of such value shall be collected at the same time with the payment for shares.

Article 142. Where subscriber delays payment for shares as provided in the preceding article, the promoters shall fix a period of not less than one month and call upon each subscriber to pay up, declaring that in case of default of payment within the stipulated period their right shall be forfeited. After the promoters have made the aforesaid call, the subscribers who fail to pay accordingly shall forfeit their rights and the shares subscribed to by them shall be otherwise sold.

Under the aforesaid circumstances, compensation for loss or damage, if any, may still be claimed against such defaulting subscribers.

Article 143. After the share price payable by all subscribers under the preceding Article has been fully paid up, the inaugural meeting of the company shall be convened by the promoters within two months.

Article 144. The provisions of Article 172, Paragraphs 1, 3 and 6, Article 174 to 179, Article 181, and Article 183 shall apply mutatis mutandis to the procedure and resolutions of the inaugural meeting; however, in the election of directors and supervisors, the provisions of Article 198 shall apply mutatis mutandis.

Article 145. At the inaugural meeting of the company, the following matters shall be reported by the promoters:

1. The Articles of Incorporation;
2. The roster of shareholders;

3. The total number of shares issued;

4. The name of subscribers and the kinds, quantities, values or appraisal standards of the property other than cash provided by subscribers as their capital contributions, if any;

5. The incorporation costs to be borne by the company, and the remuneration payable to promoters;

6. The total number of special shares, if any, to be issued; and

7. The roster of directors and supervisors of the company, which roster shall indicate the domiciles or residences, the serial number of ID Cards or the reference number of the status certificates issued by the government of them. Upon finding of any false statements in the report made under the preceding Paragraph, the promoters shall each be imposed with a fine in an amount not more than NT$ 60,000.

Article 146. At the inaugural meeting of a company, election of the directors and supervisors shall be effected. The directors and supervisors elect shall, upon election, immediately investigate the accuracy of the matters reported by promoters under the preceding Article, and shall report to the inaugural meeting of the investigation results.

Where any promoter is elected a director or a supervisor who has a personal interests in the matters subject to investigation, then the inaugural meeting shall elect another person as the substitute of said promoter to perform the investigation.

If anything contained in the promoters report is found excessive or false in the course of investigation conducted under the preceding two Paragraphs, appropriate cut-off or reduction shall be made by the inaugural meeting; If any promoter impedes the investigation, or if any director, supervisor or investigator makes false report, he/she shall be imposed with a fine in an amount not more than NT$ 60,000;

Upon request of the directors, supervisors or investigators for extension of the deadline date for submission of the investigation report under either of the provisions of the preceding two Paragraphs, the inaugural meeting may decide, by applying the provisions of Article 182 of this Act mutatis mutandis, to postpone or to reconvene the inaugural meeting.

Article 147. The inaugural meeting may curtail the remuneration given or special privileges accorded to the promoters and expense incurred in the incorporation of the company, if any is found excessive. If the payment on shares other than in cash is overestimated in value, the inaugural meeting may reduce the number of shares to be given or order the subscriber to make up for the deficiency.

Article 148. All shares in the first issue, which have not been subscribed to and those which, though subscribed, have not been paid for, shall be

subscribed and paid for the promoters jointly and severally. The same shall apply to those shares which have been subscribed but eventually rescinded.

Article 149. In the circumstances specified in Article 147 and Article 148, the company may claim against the promoters for compensation for loss or damage, if any.

Article 150. In the event that a company not be formed, the promoter shall be jointly and severally responsible for the consequence of their acts in forming the company and all expenses incurred. The same shall apply to that portion of the expenses which were curtailed on account of being excessive.

Article 151. The inauguration meeting may amend the Articles of Incorporation or resolve not to incorporate the company.

The provisions of Article 277, Paragraphs 2 through 4 shall apply, mutatis mutandis, to the aforesaid amendment of Articles of Incorporation; and the provisions of Article 316 shall apply, mutatis mutandis, to the aforesaid resolution not to incorporate the company.

Article 152. Where three months have elapsed after the total number of shares in the first issue has been contributed but the payment for which has not been fully met, or, where the payment has been fully met but the promoters have not called the inaugural meeting within two months, the subscribers may rescind their subscription.

Article 153. After the conclusion of the inaugural meeting, no subscriber may rescind his subscription.

Article 154. The liability of shareholders to the company shall, unless otherwise provided in the paragraph 2, be limited to payment in full of the shares they have subscribed.

If a shareholder abuses the company's status as a legal entity and thus causes the company to bear specific debts and to be apparently difficult for the company to pay such debts, and if such abuse is of a severe nature, the shareholder shall, if necessary, be liable for the debts.

Article 155. The promoters shall be jointly and severally liable to the company for compensation for loss or damage in consequence of an neglect on their part in the performance of their duties connected with the formation of the company. The promoters shall, even after incorporation, be jointly and severally liable for debts of the company incurred prior to incorporation.
Section 2.Shares

Article 156. The capital of a company limited by shares shall be divided into shares, and each share shall have the same par value. A portion of the shares may be designated as special shares, with the kind of such special shares to be specified in the Articles of Incorporation.

The total number of shares as classified under the preceding Paragraph may be issued in installments.

A company may, in pursuance of the resolution adopted by its board of directors, apply to the competent authority in charge of securities for an approval of public issuance of its shares. A company may apply for an approval of ceasing its status as a public company by a resolution adopted, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company whose shares have been issued in public is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company. A company whose shares have been issued in public has resolved, moved to an unknown place, or failed to perform the duties as a public company under the Securities and Exchange Act for causes not attributable to the company, the competent authority in charge of securities may cease its status as a public company.

In the case of a government owned company, the public issuance of its shares and the cease of its status as a public company shall require a special prior approval of the competent authority in charge of such enterprise. Equity capital to be contributed other than cash by shareholders may be in the form of monetary credit extended to the company, or the technical know-how or good-will required by the company, provided, however, that the amount of such substitutive capital contribution shall require a prior approval of the board of directors, without being subject to the restriction set out in Article 272 hereof.

After its incorporation, the company may, pursuant to a resolution adopted by a majority vote of a meeting of the board of directors attended by two-thirds or more of all the directors, issue new shares as the consideration payable by the company for its acquisition of the shares of another company, without being subject to the restrictions set out respectively in Paragraphs One through Three, Article 267 of this Act.

After its incorporation, for improving its financial structure or resuming its normal operation, the company participating in the special approval of the governmental bailout program may issue and transfer new shares to the government as the consideration for receiving governmental financial help. Such issuing procedure shall not be subject to the restrictions regarding issuance of new shares set forth in this Act and the regulations thereof shall be prescribed by the central competent authority.

In the case that the bailout program under the preceding paragraph reaches NTD 1 billion, the competent authority of the special approval and

the company receiving such bailout shall report its self-help plan to the Legislative Yuan.

For shares to be issued at the same time and under the same conditions of issuance, the issuance price thereof shall be the same. The method to determine the issuance price for a company offering its shares to the public may be prescribed by the authority in charge of securities.

Article 157. Where a company is to issue special shares, it shall include in its Articles of Incorporation provisions concerning:

1. Order, fixed amount or fixed ratio of allocation of dividends and bonus on special shares;

2. Order, fixed amount or fixed ratio of allocation of surplus assets of the company;

3. Order of or restriction on or no voting right on the exercise of voting power by special shareholders; and

4. Other matters concerning rights and obligations incidental to special shares.

Article 158. All special shares issued by a company shall be redeemable, provided that the privileges accorded to special shareholders by the Articles of Incorporation shall not be impaired.

Article 159. In case a company has issued special shares, any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall be adopted in a resolution by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares and shall also be adopted by a meeting of special shareholders. For a company whose share certificates have been publicly issued, if the total number of shares represented by shareholders attending a shareholders' meeting is not sufficient to meet the criteria as specified in the preceding paragraph, the said resolution may be adopted by a large majority representing two thirds of the votes at a shareholders' meeting attended by shareholders representing a majority of the total number of issued shares, and a favorable resolution to be adopted by a meeting of special shareholders shall be also be required.

In case stricter criteria for the total number of shares represented by the attending shareholders and the number of votes at the shareholders' meetings referred to in the preceding two paragraph are specified in the Articles of Incorporation of a company, such stricter criteria shall govern. The provisions governing shareholders' meetings shall apply.

Article 160. Where there are several persons owning the same share or shares, such co-owners shall select one of them for the exercise of their shareholders rights. The co-owners of a share shall be jointly and severally liable to the company to pay for the share so owned.

Article 161. A company shall not issue share certificates, unless it has completed the procedure for incorporation registration or for company alteration registration as required for issuance of new shares. However, this clause shall not apply to the companies whose share certificates are to be issued under the provisions otherwise provided for by the authority in charge of securities. Share certificate issued in violation of the provisions set out in the preceding Paragraph shall be null and void. However, holders of such share certificates may claim for damages against the issuers of such share certificates.

Article 161-1. When the total amount of capital stock of a company aggregates or exceeds the amount specifically fixed by the central competent authority, the company shall, within three months after having completed the procedures for company incorporation registration or for company alteration registration as required for issuance of new shares, issue its capital shares. Any company with a total amount of capital stock of less than the amount specifically fixed by the central competent authority shall not issue any share certificate, unless otherwise provided for in its Articles of Incorporation.

The responsible persons of a company who violate the provisions set out in the preceding Paragraph for failing to issue share certificates shall be ordered by the competent authority to effect the issuance of share certificate within a given time limit, and each of them shall further be subject to a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000; and upon failure to comply with the said order, they shall be ordered again to issue the share certificates within another given time limit and in addition thereto, each of them shall be subject to a fine in an amount not less than NT$ 20,000 but not more than NT$ 100,000. The foregoing penal clause for the second violation may be enforced successively each time against any further violation thereafter until the time the issuance of share certificates is effected as required.

Article 162. Share certificates shall be assigned with serial numbers, shall indicate thereon the following particulars, shall be affixed with the signatures or personal seals of three or more directors of the issuing company, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof:

1. The name of the company;
2. The date of incorporation registration, or the date of company alteration registration for issuance of new shares;
3. The total number of shares issued and the par value per share;
4. The number of shares issued this time;
5. The words "share certificates of promoters" shall be marked on the share certificates to be issued to promoters;

6. In the case of special share certificates, the words describing the class of such special shares shall be marked thereon; and 7.The date of issue of the share certificate.

A registered share certificate shall bear the true name of the shareholder thereof. Where a plural number of share certificates are held by a same person, his/her name shall be indicated on all such share certificates. For share certificate(s) to be held by a government agency or a corporate shareholder, the name of such government agency or such corporate shareholder shall be indicated thereon, and no other shareholder's name nor only the name of the representative of such government shareholder or corporate shareholder may be indicated thereof.

The rules governing certification or authentication of share certificates to be issued under Paragraph One of this Article shall be prescribed by the central competent authority. However, the provision set out in this Paragraph shall not apply to the companies offering their respective share certificates to the public in accordance with the rules otherwise prescribed by the authority in charge of securities.

Article 162-1. For the new shares to be issued by a company offering its shares to the public, the issuing company may print a consolidated share certificate representing the total number of the new shares to be issued at the same time of issue. The share certificate to be issued under the provision of the preceding Paragraph shall be placed under the custody of a centralized securities custody enterprise.

The provision requiring assignment of serial numbers to share certificates as set out in Paragraph One of Article 162, and the provision governing share assignment by endorsement as set out in Article 164 of this Act shall not apply to the new shares to be issued under the provision set out in Paragraph I of this Article.

Article 162-2. For the shares to be issued to the public by a company, the issuing company may be exempted from printing any share certificate for the shares issued. For the shares to be issued in accordance with the provision of the preceding Paragraph, the issuing company shall appoint a centralized securities custody enterprise/ institution to make recordation of the issue of such shares.

Article 163. Assignment/transfer of shares of a company shall not be prohibited or restricted by any provision in the Articles of Incorporation of the issuing company, but shall not be effected until the incorporation registration of the company.

Assignment/transfer of the shares owned by promoters of the issuing company shall not be effected until the elapse of one year after the incorporation registration of the issuing company; except for the shares

owned by the promoters of a company newly incorporated after the completion of a company merger or splitting process.

Article 164. Registered share certificate shall be assigned only by the holder thereof by way of endorsement, and the name or title of the assignee shall be indicated on the share certificate. Bearer share certificate may be assigned by way of delivery of the share certificate.

Article 165. Assignment/transfer of shares shall not be set up as a defence against the issuing company, unless name/title and residence/domicile of the assignee/transferee have been recorded in the shareholders' roster. The entries in the shareholders' roster referred to in the preceding Paragraph shall not be altered within 30 days prior to the convening date of a regular shareholders' meeting, or within 15 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits. In the case of a company whose shares are issued to the public, the entries in its shareholders' roster shall not be altered within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting. The periods specified in the preceding two Paragraphs shall commence from the applicable convening date of shareholders' meeting or from the applicable target date, as the case may be.

Article 166. A company may, by its Articles of Incorporation, issue bearer share certificates, provided that such issue shall not be more than one half of the total number of shares already issued.

A company may, upon request of its shareholders, issue bearer share certificates or change the bearer share certificates to registered share certificates.

Article 167. Subject to the provisions otherwise set out in Article 158, Article 167-1, Article 186 and Article 317 of this Act, a company may not, at its own discretion, redeem or buy back any of its outstanding shares, nor may it accept any of its outstanding shares as a security in pledge, unless a shareholder is in liquidation or adjudged bankrupt, in which case, the shares being held by the said shareholder may be bought back by the issuing company at the market price, with the buy-back price payable to the said shareholder to be withheld for off-setting the debt owed to the company by said shareholder prior to the process of the foregoing liquidation or bankruptcy pronouncement. The shares redeemed or bought back by the issuing company in accordance with the proviso of the preceding Paragraph or the provisions of Article 186 hereof shall be sold at the then current market price within six months. If the shares so redeemed or bought back remain unsold after expiry of the foregoing time limit, such shares shall be deemed as the shares which have never been issued by the company; and

under such circumstance, the company shall apply for an alteration of the entries of the then existing corporate registration in respect of such shares accordingly. Where a majority of the total number of outstanding voting shares or of the total amount of the capital stock of a subordinate company are held by its holding company, the shares of the holding company shall not be purchased nor be accepted as a security in pledge by the said subordinate company. Where the holding company and its subordinate company as referred to in the preceding Paragraph jointly hold or possess a majority of the total number of outstanding shares or of the total amount of the capital stock of another company, the shares of the said holding company and its subordinate company shall also not be purchased nor be accepted as a security in pledge by the said another company.

Where the responsible person of a company has acted contrary to any provisions set out in the preceding four Paragraphs by redeeming or buy back its outstanding shares, or accepting such shares as the security in pledge, or raising the share price for offsetting its outstanding debt, or reducing the selling price of such shares, he/she shall be liable for the damage to the company.

Article 167-1. Unless as otherwise provided for in the law, a company may, upon adoption of a resolution by a majority voting of the directors present at a meeting of its board of directors attended by two-thirds of the directors of the company, buy back its shares in a number not exceeding 5% of the total number of its outstanding shares provided, however, that the total amount of the price for buying back such shares shall not exceed the sum of the amount of its reserved surplus earnings plus the amount of the realized capital reserve. The shares bought back by the issuing company under the preceding Paragraph shall be assigned or transferred to its employees within three years.

If such shares have not been transferred as required after expiry of the foregoing time limit, such shares shall be deemed as the shares which have never been issued; and under this circumstance, the company shall apply for a necessary alteration registration in respect of such shares accordingly. The issuing company of the shares bought back under Paragraph I of this Article shall not be entitled to exercise the rights of a shareholder in respect of such shares.

Article 167-2. Unless as otherwise provided for in the law or in the Articles of Incorporation, a company may, upon adoption of a resolution by a majority of the directors present at a meeting of the board of directors attended by two-thirds of more of the total number of directors of the company, enter into a share subscription right agreement with its employees whereby the employees may subscribe, within a specific period of time, a specific number of shares of the company. Upon execution of the said

agreement, the company shall issue to each employee a share subscription warrant.

The share subscription warrant obtained by any employee of the issuing company shall be non-assignment, except to the heir(s) of the said employee.

Article 167-3. A company which buys back its shares and assigns or transfers those shares to its employees in accordance with Article 167-1 or other laws may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.

Article 168. A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata, unless otherwise provided for in this Act or any other governing laws. A company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property.

The board of directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited and certified by a certified public accountant before the shareholders' meeting.

Where a company cancels its shares in a manner in violation to the provisions set out in Paragraphs One to Three of this Article, the responsible person(s) of the company shall (each) be imposed with a fine in an amount not less than NT$ 20,000 but not more than NT$ 100,000.

Article 168-1. Where a company has a need to reduce and to increase it capital stock before the end of any fiscal year in order to offset its loss, the board of directors shall, at least 30 days prior to the convening date of the shareholders' meeting, forward the financial statements and a loss offsetting proposal to the supervisors for their auditing before submitting the audited version thereof to the shareholders' meeting for review and approval by a resolution. In case the audited financial statements and the loss offsetting proposal are submitted to a special shareholders' meeting under the provisions of the preceding Paragraph, the provisions of Articles 229 through 231 of this Act shall apply mutatis mutandis.

Article 169. The shareholders' roster of a company shall be assigned with serial numbers and shall contain the following particulars:

1. The name or title and the domicile or residence of the shareholders;
2. The number of shares held by each shareholder; and the serial number(s) of share certificate(s), if issued, by that shareholder;
3. The date of issuance of the share certificates;

4. The number of shares, the serial number of share certificate(s), and the date of issuance of the bearer share certificate(s), if bearer stocks are issued; and 5.The words describing the type of special shares, if special shares are issued. Where computerized operation or machine processing operation is used in the company, then the information as required in the preceding Paragraph may be annexed to the shareholders' roster with relevant supplemental tables. The director who is authorized to represent the company shall make the shareholders' roster(s) available at the head office of the company or the business place of the agency appointed by the company to handle the share-related affairs for the company. Violation of this clause shall be subject to a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000. Successive violations of this clause shall be subject to a fine to be imposed at the rate of not less than NT$ 20,000 but not more than NT$ 100,000 for each successive violation.

Section 3.Shareholders' Meeting

Article 170. Shareholders' meeting shall be of the following two kinds: 1.Regular meeting of shareholders: to be held at least once every year. 2.Special meeting of shareholders: to be held when necessary. The regular meeting of shareholders referred to in the preceding Paragraph shall be convened within six months after close of each fiscal year, unless otherwise approved by the competent authority for good cause shown. The director who is authorized to represent the company and fails to call a regular shareholders' meeting within the time limit specified in the preceding Paragraph shall be imposed with a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000.

Article 171. A shareholders meeting shall, unless otherwise provided for in this Act, be convened by the Board of Directors.

Article 172. A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 20 days prior to the scheduled meeting date; while a public notice shall be given to holders of bearer share certificates no later than 30 days prior to the scheduled meeting date.

A notice to convene a special meeting of shareholders shall be given to each shareholder no later than 10 days prior to the scheduled meeting date; while a public notice shall be given to holders of bearer share certificates no later than 15 days prior to the scheduled meeting date.

For a company offering its shares to the public, a notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date, and to the holders of bearer share certificates no later than 45 days prior to the scheduled meeting date. In case a company offering its shares to the public intends to convene a special meeting of shareholders, a meeting notice shall be given to each shareholders

no later than 15 days prior to the scheduled meeting date, and to the holders of bearer share certificates no later than 30 days prior to the scheduled meeting date. The cause(s) or subject(s) of a meeting of shareholders to be convened shall be indicated in the individual notice and the public notice to be given to shareholders; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.

Matters pertaining to election or discharge of directors and supervisors, alteration of the Articles of Incorporation, and dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 hereof shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions. The director who is authorized to represent the company and fails to convene the shareholders' meeting as required in Paragraph I, Paragraph II or Paragraph III under this Article shall be imposed with a fine in an amount not less than NT$ 10,000 but not more than NT$ 50,000.

Article 172-1. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Prior to the date on which share transfer registration is suspended before the convention of a regular shareholders' meeting, the company shall give a public notice announcing the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

Under any of the following circumstances, the board of directors of the company may exclude the proposal submitted by a shareholder from the list of proposals to be discussed at a regular meeting of shareholders: 1 .Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders;

1. Where the number of shares of the company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time when the share transfer

registration is suspended by the company in accordance with the provisions set out in Paragraph II or Paragraph III, Article 165 of this Act,; and

2. Where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals.

The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.

The responsible person of a company who violates the provisions set out in Paragraph II or the preceding Paragraph shall be imposed with a fine in an amount not less than New Taiwan Dollar Ten Thousand (NT$10,000) but not more than New Taiwan Dollar Fifty Thousand (NT$50,000).

Article 173. Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders.

If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.

A special meeting of shareholders convened in accordance with the provisions set out in the preceding two Paragraphs may appoint an inspector to examine the business and financial condition of the company.

When the board of directors fails or can not convene a shareholders' meeting on account of share transfer or any other causes, the shareholder(s) holding 3% or more of the totle number of outstanding shares of the company may, after obtaining an approval from the competent authority, convene a shareholders' meeting. Article 174

Resolutions at a shareholders' meeting shall, unless otherwise provided for in this Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 175. When the number of shareholders present does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. A notice of such

tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' meeting within one month. If bearer share certificates have been issued, such tentative resolution shall also be publicly announced. In the aforesaid meeting of shareholders, if the tentative resolution is again adopted by a majority of those present who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the preceding article.

Article 176. A holder of bearer share certificates shall not attend a meeting of shareholders unless he shall have deposited his share certificates with the company five days before the meeting.

Article 177. A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the company stating therein the scope of power authorized to the proxy. Except for trust enterprises or stock agencies approved by the competent authority, when a person 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, otherwise, the portion of excessive voting power shall not be counted.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than 5 days prior to the meeting date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the company shall prevail; unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later. After the service of the power of attorney of a proxy to the company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by way of electronic transmission , a proxy rescission notice shall be filed with the company two days prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

Article 177-1. The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders if the voting power will be exercised in writing or by way of electronic transmission. The competent authority in charge of securities affairs, however, shall as necessary in view of the company's scale, shareholder number, shareholder structure and other essential factors, require a company to adopt the electronic transmission as one of the methods for exercising the voting power.

A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission as set forth in the preceding Paragraph shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.

Article 177-2

In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised his/her/its voting power in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Article 177-3. Where a company offering its shares to be public convenes a shareholders' meeting, the company shall prepare a manual for shareholders' meeting proceedings and shall disclose such manual together with other information related to the said shareholders' meeting in a public notice to be published prior to the scheduled meeting date of that shareholders' meeting. Regulations governing the time and manner for publishing the public notice as required in the preceding Paragraph, the particulars to be contained in the manual for shareholders' meeting, and other governing rules shall be prescribed by the government authority in charge of securities affairs.

Article 178. A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the

company, shall not vote nor exercise the voting right on behalf of another shareholder.

Article 179. Except in the circumstances set forth in Item 3, Article 157 hereof, a shareholder shall have one voting power in respect of each share in his/her/its possession. The shares shall have no voting power under any of the following circumstances:

1. the share(s) of a company that are held by the issuing company itself in accordance with the laws;
2. the shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or the total shares equity of such a subordinate company; or
3. the shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.

Article 180. The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

In passing a resolution at a shareholders' meeting, shares for which voting right cannot be exercised as provided in Article 178 shall not be counted in the number of votes of shareholders present at the meeting.

Article 181. When the government or a juristic person is a shareholder, its proxy shall not be limited to one person, provided that the voting right that may be exercised shall be calculated on the basis of the total number of voting shares it holds.

In case the aforesaid proxies are two persons or more, they shall exercise their voting right jointly.

If a shareholder of a company whose shares have been issued in public holds shares for others, such shareholder may exercise his/her/its voting power separately.

Regulations governing the qualifications, scope, methods of exercise, operating procedures and other matters for compliance with respect to exercising voting power separately in the preceding paragraph shall be prescribed by the competent authority in charge of securities affairs.

Article 182. The provisions of Article 172 shall not apply where a meeting of shareholders resolves to postpone the meeting for not more than, or to reconvene the meeting within, five days.

Article 182-1. For a shareholders' meeting convened by the board of directors, the chairman of the meeting shall be appointed in accordance with the provisions of Paragraph Three, Article 208 of this Act; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

A company shall establish the rules governing the proceedings of meetings. During the session of a shareholders' meeting, if the chairman declares the adjournment of the meeting in a manner in violation of such rules governing the proceedings of meetings, a new chairman of the meeting may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceedings of the meeting.

Article 183. Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required in the preceding Paragraph may be effected by means of electronic transmission.

With regard to a company offering its shares to the public, the distribution of the minutes of shareholders' meeting as required in Paragraph One of this Article may be effected by means of a public notice.

The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the company.

The attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the company for a minimum period of at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 hereof, the minutes of the shareholders' meeting involved shall be kept by the company until the legal proceedings of the foregoing lawsuit have been concluded.

The director authorized to represent the company who violates the provisions of Paragraph I, Paragraph IV or the preceding Paragraph of this Article shall be imposed with a fine of not less than NT$ 10,000 but not more than NT$ 50,000.

Article 184. The shareholders' meeting may examine the statements and books prepared and submitted by the board of directors and the auditing

reports submitted by the supervisors, and may decide, by resolution, the surplus earning distribution and deficit off-setting plan.

In order to conduct the examination set forth in the preceding Paragraph, the shareholders' meeting may select and appoint inspectors as required. Any person who commits any act of impeding, refusing or evading the examination set forth in the preceding two Paragraphs shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100.000.

Article 185. A company shall not do any of the following acts without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares:

1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others;

2. Transfer the whole or any essential part of its business or assets; or

3. Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company.

For a company which has had its share certificates publicly issued, if the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares.

Where stricter criteria for the total number of attending shareholders and for the number of votes required to adopt a resolution at a shareholders' meeting referred to in the preceding two paragraphs are specified in the Articles of Incorporation of the company, such stricter criteria shall govern. Essential facts of the acts referred to in Paragraph 1 shall be stated in the notice or public announcement to be given under Article 172 hereof. A proposal for doing any of the acts specified in Paragraph 1 shall be submitted by the Board of Directors by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by over two-thirds of the directors.

Article 186. A shareholder, who has served a notice in writing to the company expressing his intention to object to such an act prior to the adoption of a resolution at a shareholders' meeting in accordance with the provisions of the preceding article, and also has raised his objection at the shareholders' meeting, may request the company to buy back all of his shares at the then prevailing fair price, provided, however, that this shall not apply if, at the time of adopting a resolution under Item 2, Paragraph 1 of the preceding article, the shareholders' meeting also adopts a resolution for dissolution. The request mentioned in the preceding article shall be brought

forth in writing within twenty days after the adoption of resolution under Article 185, stating therein the kinds and number of shares.

In case an agreement on the price of shares is reached between the shareholder and the company, the company shall pay for the shares within ninety days from the date on which the resolution was adopted. In case no agreement is reached within sixty days of the date on which the resolution was adopted in accordance with Article 185, the shareholder may, within thirty days from the date on which the sixty-day period expired, apply to court for a ruling on the price.

The company shall pay legal interest on the price ruled by the court from the date of expiration of the period referred to in Paragraph 2. The payment of price shall be made at the same time against the delivery of share certificates, and the transfer of such shares shall be effective at the time when payment is made.

Article 188. The request of a shareholder as provided in Article 186 shall lose its effect at the time when the company calls off its act as specified in Article 185, paragraph 1.

The same shall apply where a shareholder fails to make request within the period prescribed in Paragraphs 1 and 2 of the preceding article.

Article 189. In case the procedure for convening a shareholders' meeting or the method of adopting resolutions thereat is in contrary to any law, ordinance or the company's Articles of Incorporation, a shareholder may, within 30 days from the date of adoption of the said resolution, enter a petition in the court for annulment of such resolution.

Article 189-1. Upon receipt of the petition for annulment of a resolution filed under the preceding Article, if the court considers that the fact of violation described in the said petition is insignificant and will do nothing to the prejudice of the resolution, the court may dismiss such petition.

Article 190. In case a resolution already registered is annulled by an irrevocable judgment of a court, the authority shall annul the registration upon notice by the court or application of an interested party. Article 191

In case the substance of a resolution adopted at a meeting of shareholders is contrary to law or ordinance or the company's Articles of Incorporation, the resolution shall be null and void.

Section 4.Directors and Board of Directors

Article 192. The board of directors of a company shall have at least three directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity.

For a company whose shares are issued to the public, if the percentage of shareholdings of all the directors selected in accordance with the preceding Paragraph is subject to the provisions separately prescribed by the

competent authority in charge of securities affairs, such provisions shall prevail. The provisions set out in Article 85 of The Civil Code shall not apply to the disposing capacity set forth in Paragraph I of this Article. Unless otherwise provided for in this Act, the relations between the company and its directors shall be governed by the provisions of the Civil Code pertaining to the mandate.

The provisions set out in Article 30 hereof shall apply mutatis mutandis to the directors of a company.

Article 192-1. In case a candidates nomination system is adopted by a company offering its shares to the public for election of the directors of the company, the adoption of such system shall be expressly stipulated in the Articles of Incorporation of the company; and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters. The length of the period for accepting the nomination of director candidates shall not be shorter than ten (10) days.

Any shareholder holding 1 % or more of the total number of outstanding shares issued by the company may submit to the company in writing a roster of director candidates, provided that the total number of director candidates so nominated shall not exceed the quota of the directors to be elected. This restrictive condition shall also be applicable to the roster of director candidates nominated by the board of directors of the company.

The roster of director candidates submitted by a shareholder as prescribed in the preceding Paragraph shall be annexed with the name, education background and past work experience of the director candidates, the letter of understanding issued by each director candidate to consent to act as director after he/she/it has been elected as such, a written statement issued by each director candidate assuring that he/she/it is not under any of the circumstances set forth in Article 30 of this Act, and other evidential documents executed and provided by each director candidate. If a director candidate is a juristic person shareholder or its representative, additional information and documents reflecting the basic registration information of the said juristic person shareholder and the document certifying the number of shares of the company in its possession.

The board of directors or other authorized conveners of shareholders' meetings shall examine and/or screen the data and information of each director candidate nominated; and shall, unless under any of the following

circumstances, include all qualified director candidates in the final roster of director candidates accordingly:

1. Where the roster of director candidates is submitted by the nominating shareholder beyond the deadline fixed for accepting such candidates roster;

2. Where the number of shares of the company being held by the nominating shareholder is less than 1 % of the total number of outstanding shares of the company at the time when the share transfer registration is suspended by the company in accordance with the provisions set out in Paragraph II or Paragraph III, Article 165 of this Act;

3. Where the number of director candidates nominated exceeds the quota of the directors to be elected; or

4. Where the relevant evidential documents required in Paragraph IV of this Article are not submitted along with the roster of director candidates.

The processes of the operation for examining and/or screening the director candidates nominated shall be recorded in writing and such records shall be retained in the file for a period of at least one year, provided, however, that if any shareholder has instituted a lawsuit against the result of directors election, the foregoing records shall be retained in the file until the legal proceedings of the foregoing lawsuit have been concluded.

The company shall, no later than 40 days prior to the scheduled meeting date of a regular shareholders' meeting or no later than 25 days prior to the scheduled meeting date of a special shareholders' meeting, have the roster of director candidates and their education background and past work experience, the number of shares of the company held by them, the name(s) of the government agency or the juristic person shareholder represented by them, and other relevant and essential information published in a public notice; and shall inform the nominating shareholders of the examination /screening results. With regards to the director candidates not included in the list of qualified director candidates, if any, the cause thereof shall also be made known to the nominating shareholders of such disqualified director candidates. The responsible person of a company who violates the provisions set out in Paragraph II or the preceding two Paragraphs of this Article shall be imposed with a fine of not less than NT$10,000, but not more than NT$50,000. The Board of Directors, in conducting business, shall act in accordance with laws and ordinances, the Articles of Incorporation, and the resolutions adopted at the meetings of shareholders.

Where any resolution adopted by the Board of Directors contravenes the preceding Paragraph, thereby causing loss or damage to the company, all directors taking part in the adoption of such resolution shall be liable to compensate the company for such loss or damage; however, those directors

whose disagreement appears on record or is expressed in writing shall be exempted from liability.

Article 194. In case the board of directors decide, by resolution, to commit any act in violation of any law, ordinance or the company's Articles of Incorporation, any shareholder who has continuously held the shares of the company for a period of one year or longer may request the board of directors to discontinue such act.

Article 195. The term of office of a director shall not exceed three years; but he/she may be eligible for re-election.

In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office. However, the competent authority may, ex officio, order the company to elect new directors within a given time limit; and if no re-election is effected after expiry of the given time limit, the out-going directors shall be discharged ipso facto from such expiration date.

Article 196. The remuneration of directors, if not prescribed in the Articles of Incorporation, shall be determined by a meeting of shareholders and cannot be ratified by a meeting of shareholders.

The provision set forth in Article 29, Paragraph 2 hereof shall apply mutatis mutandis to the directors of a company.

Article 197.

1. Each director shall, after having been elected, declare to the competent authority the number and amount of the shares of the company being held by him/her at the time when he/she is elected. In case a director of a company whose shares are issued to the public that has transferred, during the term of office as a director, more than one half of the company's shares being held by him/her at the time he/she is elected, he/she shall, ipso facto, be discharged from the office of director.

2. If the number of company's shares held by a director is increased or reduced during his/her term of office as a director, he/she shall declare such change to the competent authority and shall place a public notice of such a fact.

3. If any director of a company whose shares are issued to the public, after having been elected and before his/her inauguration of the office of director, has transferred more than one half of the total number of shares of the company he/she holds at the time of his/her election as such; or had transferred more than one half of the total number of shares he/she held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then his/her election as a director shall become invalid.

Article 197-1.

1. Upon creation or cancellation of a pledge on the company's shares held by a director, a notice of such action shall be given to the company, and the company shall, in turn and within 15 days after such pledge creation/ cancellation date, have the change of pledge over such shares reported to the competent authority and declared in a public notice; unless otherwise provided for in any rules or regulations separately prescribed by the authority in charge of securities affairs.

2. In case a director of a company whose shares are issued to the public has created a pledge on the company's shares more than half of the company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised and the excessive portion of shares shall not be counted in the number of votes of shareholders present at the meeting. Article 198

3. In the process of electing directors at a shareholders' meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect.

4. The provision of Article 178 hereof shall not apply to the voting power referred to in the preceding Paragraph.

Article 199. A director may be discharged at any time by a resolution adopted at a shareholders' meeting provided, however, that if a director is discharged during the term of his/her office as a director without good cause shown, the said director may make a claim against the company for any and all damages sustained by him/her as a result of such discharge.

A resolution required for discharging a director under the preceding Paragraph may be adopted only by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares by the company.

For a company whose shares are issued to the public, if the total number of shares represented by the shareholders present at a shareholders' meeting is less than the quorum set forth in the preceding Paragraph, the resolution required for discharging a director may be adopted by two-thirds (2/3) of the total votes of the shareholders present at the shareholders' meeting attended by the shareholders representing a majority of the total number of outstanding shares issued by the company.

Where higher requirements of the quorum of a shareholders' meeting and the number of votes are specified in the Articles of Incorporation of a company, such higher requirements shall prevail.

Article 199-1

1. Where re-election of all directors is effected, by a resolution adopted by a shareholders' meeting, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance.

2. The aforesaid resolution of re-election shall be attended by shareholders who represent more than one-half of the total number of issued and outstanding shares.

Article 200. In case a director has, in the course of performing his/her duties, committed any act resulting in material damages to the company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the shareholders' meeting, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, institute a lawsuit in the court for a judgment in respect of such matter.

Article 201. When the number of vacancies in the board of directors of a company equals to one third of the total number of directors, the board of directors shall call, within 30 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies. However, in the case of a company whose shares are issued to the public, the special meeting of shareholders for electing succeeding directors shall be convened by the board of directors within 60 days.

Article 202.

Business operations of a company shall be executed pursuant to the resolutions to be adopted by the board of directors, except for the matters the execution of which shall be effected pursuant the resolutions of the shareholders' meeting as required by this Act or the Articles of Incorporation of the company.

Article 203. Meetings of the board of directors shall be convened by the chairman of the board of directors, except for the first meeting of each term of the board of directors which shall be convened by the director who received a ballot representing the largest number of votes at the election of directors. The first meeting of each term of the board of directors shall be convened within 15 days after the re-election. However, in case the re-election of directors was conducted prior to the expiration of the term of office of the directors of the preceding term, and a resolution was adopted not to discharge the directors of the preceding term until the expiration of the term of their offices as directors, the first meeting of the newly elected directors shall be convened within 15 days after expiration of the term of office of the directors of the preceding term.

Where directors are elected prior to the expiration of the term of office of the directors of the preceding term, and a resolution is adopted not to

discharge the directors of the preceding term until the expiration of the term of office of the preceding term, the chairman, the vice chairman and the managing directors of the newly elected board of directors may be carried out prior to the expiration of the term of office of the directors of the preceding term, free from the binding of the provisions of the preceding Paragraph. Where the number of directors attending the first meeting of the newly elected board of directors is less than the minimum quorum of the meeting of the board of directors convened for election of the chairman and the managing directors of the board of directors, then the original convener shall resume the meeting within 15 days to conduct the election, and may apply the resolution adopting method set forth in Article 206 of this Act.

In case the director elect receiving the a ballot representing the largest number of votes fails to convene the meeting of the board of directors within the time limit set out in Paragraph II or the preceding Paragraph of this Article, then one-fifth (1/5) or more of the directors elect may convene the meeting on their own, with a prior permission of the competent authority.

Article 204. In calling a meeting of the board of directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time. The notice set forth in the preceding Paragraph may be effected by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.

Article 205. Each director shall attend the meeting of the board of directors in person, unless as otherwise provided for in the Articles of Incorporation that a director may be represented by another director.

In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

In case a director appoints another director to attend a meeting of the board of directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.

A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.

A director residing in a foreign country may appoint in writing a shareholder residing in the national territory as his/her proxy to attend the meetings of the board of directors on a regular basis.

Appointment of the proxy in accordance with the provisions of the preceding Paragraph shall be registered with the competent authority; and this requirement shall also apply to the change of the proxy.

Article 206. Unless otherwise provided for in this Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

1. A director who has a personal interest in the matter under discussion at a board meeting shall explain to the board meeting the essential contents of such personal interest.

2. The provisions of Article 178 and Article 180, paragraph 2 shall apply mutatis mutandis to the resolutions set forth in Paragraph 1.

Article 207. Minutes shall be taken of the proceedings of the meeting of the board of directors.

The provisions of Article 183 shall apply mutatis mutandis to the aforesaid minutes.

Article 208. In case a company has no managing directors, the board of directors shall elect a chairman of the board directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors, and may also elect in the same manner a vice chairman of the board in accordance with the provisions of the Articles of Incorporation.

In case a company has managing directors, the managing directors shall be elected from among the directors in accordance with the manner set forth in the preceding Paragraph provided that the number of managing directors shall not be less than three persons but not more than one-third of the total number of directors. The chairman or the vice chairman of the board shall be elected from the managing directors in accordance with the same manner set forth in the preceding Paragraph.

The chairman of the board of directors shall internally preside the shareholders' meeting, the meeting of the board of directors, and the meeting of the managing directors; and shall externally represent the company. In case the chairman of the board of directors is on leave or absent or can not exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case there is no vice chairman, or the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the managing directors, or where there is no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairman of the board of directors.

During the recess of the board of directors, the managing directors shall regularly exercise the power and authority of the board of directors in accordance with the provisions of laws and regulations and the Articles of Incorporations of the company, and the resolutions adopted by the shareholders' meetings and the meetings of the board of directors by conferences to be called from time to time by the chairman of the board of

directors; with the resolutions to be adopted by a majority of managing directors present at such conferences attended by a majority of managing directors.

The provisions set out in Article 57 and Article 58 hereof shall apply mutatis mutandis to directors representing the company.

Article 208-1. In case the board of directors fails or is unable to exercise its power and authority to the extent which is likely to cause damage to the company, the court may, at the petition of interested party or parties or a public prosecutor, appoint one or more temporary manager to exercise the power and authority of the chairman of the board of directors and the board of directors instead provided, however, that he/she shall not commit any act unfavorable to the company.

Upon appointment of the temporary manager under the preceding Paragraph, the court shall request the competent authority to make appropriate registration of such appointment.

Upon discharge of the temporary manager appointed hereunder, the court shall request the competent authority to cancel the registration of his appointment.

Article 209. A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. The aforesaid approval shall be given upon a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.

For a company whose share certificates have been publicly issued, if the total number of shares represented by shareholders present at a shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution may be adopted by a large majority of two thirds of the voting powers of the shareholders present at a shareholders' meeting who present a majority of the total number of issued shares. Where stricter criteria for the total number of shares represented by the attending shareholders and the required number of votes at the shareholders' meeting set forth in the preceding two paragraphs are specified in the Articles of Incorporation, such stricter criteria shall govern.

In case a director does anything for himself or on behalf of another person in violation of the provisions of Paragraph 1, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company unless one year has lapsed since the realization of such earnings.

Article 210. Subject to the provisions otherwise provided for by the authority in charge of securities affairs, the board of directors shall keep at the head office of the company copies of the Articles of Incorporation, the

minutes of every meeting of the shareholders and the financial statements, and shall keep at the head office of the company or the business office of its securities agent the shareholders roster and the counterfoil of corporate bonds issued by the company.

Any shareholder and any creditor of a company may request at any time, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect and to make copies of the Articles of Incorporation and accounting books and records. The director(s) authorized to represent the company who has(have) violated the provisions set out in Paragraph I hereinabove by not making the financial statements and the Articles of Incorporation available at the office of the company, or has(have) violated the provisions of the preceding Paragraph by refusing the examination or copying of relevant information without good cause shown shall be imposed with a fine not less than NT$ 10,000 but not more than NT$ 50,000.

Article 211. In case the loss incurred by a company aggregates to one half of its paid-in capital, the board of directors shall convene and make a report to a meeting of shareholders.

Subject to the provisions set out in Article 282 of this Act, in case the assets of a company is insufficient to set off its liabilities, the board of directors shall apply to the court for pronouncement of its bankruptcy.

The director(s) authorized to represent the company who has (have) violated the provisions of the preceding two Paragraphs shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000.

Article 212. In case the shareholders' meeting of a company resolves to institute an action against a director, the company shall, within 30 days from the date of such resolution, institute the action.

Article 213. In case of a lawsuit between the company and a director, the supervisor shall act on behalf of the company, unless otherwise provided by law; and the meeting of shareholders may also appoint some other person to act on behalf of the company in a lawsuit.

Article 214. Shareholder(s) who has/have been continuously holding 3% or more of the total number of the outstanding shares of the company over one year may request in writing the supervisors of the company to institute, for the company, an action against a director of the company.

In case the supervisors fails to institute an action within 30 days after having received the request made under the preceding Paragraph, then the shareholders filing such request under the preceding Paragraph may institute the action for the company; and under such circumstance, the court may, at the petition of the defendant, order the suing shareholders to furnish an appropriate security. In case the suing shareholders become the loser in that

lawsuit and thus causing any damage to the company, the suing shareholders shall be liable for indemnifying the company for such damage.

Article 215. Where a lawsuit instituted under paragraph 2 of the preceding article is found by a final judgment to be based on facts apparently untrue, the shareholders who instituted the action shall be liable to compensate the defendant director for loss or damage resulting from such an action.

Where a lawsuit instituted under paragraph 2 of the preceding article is found by a final judgment to be based on facts apparently true, the defendant director shall be liable to compensate the shareholders who instituted the action for loss or damage resulting from such an action. Section 5.Supervisors

Article 216. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.

For a company whose shares are issued to the public, there must be two or more supervisors to be elected in accordance with the provision of the preceding Paragraph, and the total shareholdings of all supervisors shall meet the requirement as separately specified by the authority in charge of securities affairs, if any.

The relation between the company and its supervisors shall be subject to the provisions governing the mandate as stipulated in the Civil Code. The provisions set out in Article 30, and Paragraph I and Paragraph III regarding the disposing capacity, Article 192 of this Act shall apply mutatis mutandis to the supervisors.

Article 216-1. Where the candidates nomination system is adopted by a company which has issued shares to the public in its Articles of Incorporation for election of supervisors, the provisions set out in Article 192-1 of this Act shall apply mutatis mutandis.

Article 217. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election.

In case election of new supervisors can not be effected in time after expiration of the term of office of existing supervisors, the existing supervisor shall continue to perform their duties until the new supervisors elect has assumed their office as supervisors. However, the competent authority may order, ex officio, the company to conduct the re-election of supervisors within a given time limit. If election of new supervisors is still not effected, the existing supervisors shall be discharged, ipso facto, upon expiry of the time limit hereinabove fixed by the competent authority.

Article 217-1. In case all supervisors of a company are discharged, the board of directors shall, within 30 days, convene a special meeting of shareholders to elect new supervisors. However, for a company whose shares

are issued to the public, the special meeting of shareholders for election of supervisors shall be convened by the board of directors within 60 day. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon.

In performing their functional duties under the preceding Paragraph, the supervisors may appoint, on behalf of the company, a practicing lawyer and a certified public accountant to conduct the examination.

Any person who violated Paragraph I by hindering, refusing or evading the examination to be conducted by supervisors shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000.

Article 218-1. When a director discovers the possibility that the company will suffer substantial damage, he shall report to the supervisor immediately.

Article 218-2. Supervisors of a company may attend the meeting of the board of directors to their opinions.

In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act.

Article 219. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the meeting of shareholders. In performing their functional duties under the preceding Paragraph, the supervisors may appoint a certified public accountant to conduct the auditing Supervisors who violated the preceding Paragraph by making false report shall each be imposed with a fine in an amount not more than NT$ 60,000.

Article 220. Subject to the condition that the board of directors does not or is unable to convene a meeting of shareholders, the supervisors may, for the benefit of the company, call a meeting of shareholders when it is deemed necessary.

Article 221. Supervisor may each exercise the supervision power individually.

Article 222. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.

Article 223. In case a director of a company transacts a sales with, or borrows money from or conducts any legal act with the company on his own

account or for any other person, the supervisor shall act as the representative of the company.

Article 224. In case a supervisor has, in performing his functional duties, violated the provisions of any law, regulations, or the Articles of Incorporation of the company, or was negligent of his duties and thus causing any damage to the company, he shall be liable for indemnifying the company for such damage.

Article 225. When a meeting of shareholders resolves to institute an action against a supervisor, the company shall institute such action within 30 days from the date of adoption of such resolution.

The person who represents the company in the action instituted under the preceding Paragraph may be appointed by the shareholders' meeting from the persons other than the directors of the company.

Article 226. In case supervisor is liable to compensate the company or a third party and a director is also liable, such supervisor and director shall be joint debtors.

Article 227. The provisions set out in Article 196 to 200, Article 208-1, Article 214 and Article 215 hereof shall apply mutatis mutandis, to the supervisors provided, however, that the request to be submitted to supervisors under Article 214 hereof shall be submitted to the board of director.

Section 6.Accounting

Article 228. At the close of each fiscal year, the board of directors shall prepare the following statements and records and shall forward the same to supervisors for their auditing not later than the 30th day prior to the meeting date of a general meeting of shareholders:

1. The business report;
2. The financial statements; and
3. The surplus earning distribution or loss off-setting proposals.

The financial statements and records as required in the preceding Paragraph shall be prepared in accordance with the rules prescribed by the central competent authority.

Supervisors may request the board of directors to provide in advance the financial statements and records for auditing as required in Paragraph I hereinabove.

Article 229. The statements and records of accounts prepared by the Board of Directors and the report made by the supervisors shall be made available at the head office for inspection at any time by the shareholders, ten days prior to the regular meeting of shareholders. The shareholders may bring their lawyers or certified public accountants for such an inspection.

Article 230. The board of directors shall submit the various financial statements and records prepared by it to the general meeting of shareholders for its ratification; and after the ratification thereof by the general meeting of shareholders, shall distribute to each shareholder the copies of ratified financial statements and the resolutions on the surplus earning distribution and/or loss offsetting. For a company offering its shares to the public, the distribution of the ratified financial statements and the resolutions on the surplus earning distribution and/or the loss offsetting set forth in the preceding Paragraph may be effected by way of a public notice.

Any creditor of the company may request the company to provide him the financial statements and records and the resolutions set forth in Paragraph I hereinabove or to allow him to make copies thereof. The director authorized to represent the company who has violated the provisions of Paragraph I of this Article by failing to distribute the financial statement and records and the resolutions shall be imposed with a fine of not less than NT$ 10,000 but not more than NT$ 50,000.

Article 231. Only after all the statements and records of accounts have been approved by the meeting of shareholders shall directors and supervisors be deemed to have been discharged from their liabilities, except in the event of any unlawful conduct on the part of directors or supervisors.

Article 232.

1. A company shall not pay dividends or bonuses, unless its losses shall have been covered and a legal reserve shall have been set aside in accordance with the provisions of this Act.

2. A company shall not pay dividends or bonuses, if there is no surplus earnings.

3. The responsible person(s) of a company who violates the provisions of the preceding two Paragraphs by making distribution of dividends and bonuses shall (each) be punished with imprisonment of not more than one year, detention, and a fine in lieu thereof or in addition thereto in an amount of not more than NT$ 60,000.

Article 233. If a company pays dividends and bonuses in violation of the provisions of the preceding article, creditors of the company may request rescission and may also claim for compensation for loss or damage resulted there-from.

Article 234. A company which according to he nature of its business requires more than two years of preparation from the date of its incorporation before it can commence business, may, with the approval of the competent authority, make distribution of dividends in accordance with the provisions of its Articles of Incorporation.

The amount of the aforesaid dividends for distribution may be included as pre-paid dividends under the account of shareholder's equity to be shown

in the balance sheet of the company. After commencing its business operation, whenever the total amount of dividends and bonuses to be distributed each time exceeds six per cent (6%) of its paid-in capital, then the amount of such excessive distribution shall be offset against the aforesaid pre-paid dividends.

Article 235. Unless otherwise provided for in the Articles of Incorporation, distribution of the dividends and bonuses shall be effected in proportion to the number of shares held by each shareholder accordingly.

The percentage of surplus profit distributable as employees' bonus shall be definitely specified in the Articles of Incorporation, unless otherwise approved specifically by the central authority in charge of the end-enterprise concerned. The provisions set out in the preceding Paragraph shall not be applicable to the government operated enterprises, except in the case where special approval has been granted by the authority in charge of the government operated enterprise concerned, and the percentage of surplus profit distributable as employees' bonus has been specifically fixed in the Articles of Incorporation.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive share bonus may be specified in the Articles of Incorporation.

Article 236 (Deleted).

Article 237. A company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve. Where such legal reserve amounts to the total authorized capital, this provision shall not apply. Aside from the aforesaid legal reserve, the company may, under its Articles of Incorporation or by resolution of the meeting of shareholders, set aside another sum as special reserve. Responsible persons of the company who fail to set aside legal reserve, in violation of the provisions of Paragraph 1, shall be severally subject to a fine not exceeding NT$60,000.

Article 238 (Deleted).

Article 239. The legal reserve and the capital reserve shall not be used except for making good the deficit (or loss) of the company; however, this clause shall not apply to the case set forth in Article 241 hereof or as otherwise provided for in the law.

A company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

Article 240. A company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the whole or a part of the surplus profit distributable as dividends and bonuses distributed in the form of new shares to be issued by the company for such purpose. In case

the amount of balance of such distributable surplus profit is less the par value (or a fraction) of one share, it shall be paid in cash.

For a company whose shares are issued to the public, if the total number of shares represented by the shareholders present at a meeting of shareholders is less than the threshold specified in the preceding Paragraph, the resolution may be adopted by a large majority (2/3 or more) vote of the shareholders present at that meeting of shareholders attended by the shareholders representing a majority of the total number of the outstanding shares of the company.

Where a higher threshold of the number of shareholders to be present and the total number of shares the represent is required by the Articles of Incorporation of the company, such higher threshold shall prevail. Where the distributable bonus is to be capitalized in accordance with the preceding three Paragraphs, the bonus distributable to the employees under the Articles of Incorporation may be paid either in the form of shares newly issued for such purpose or in cash.

Except for a company whose shares are issued to the public and which is subject to the provisions otherwise stipulated by the authority in charge of securities affairs, the resolution to issue new shares under this Article shall take effect upon close of the shareholders' meeting whereat the resolution is adopted, and the board of directors shall forthwith notify each shareholder or cause the number of new shares distributable to the shareholder to be recorded under the name of the pledgee(s) of the said shareholder as registered in the shareholders roster, and shall make a public notice of the distribution, if the shares newly issued are of bearer share certificates, For the distribution of dividends and bonuses in an amount or ratio explicitly specified in the Articles of Incorporation and to be effected by a resolution to be adopted by the board of directors as authorized (by a shareholders' meeting), the whole or a part of the distributable dividends and bonuses may be paid in accordance with the provisions set out in Paragraph I and Paragraph IV of this Article in the form of shares newly issued for such purpose after a resolution has been adopted by a majority of shareholders present at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 241.

I. Where a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting as required in the preceding Article, distribute its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash:

1. the income derived from the issuance of new shares at a premium;
2. the income from endowments received by the company.

II. The provisions set out in Paragraph V and Paragraph VI of the preceding Article shall be applicable mutatis mutandis to the capitalization of reserves to be effected under the preceding Paragraph.

III. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

Article 242 (Deleted).

Article 243 (Deleted).

Article 244 (Deleted).

Article 245. Shareholders who have been continuously holding three per cent of total number of the outstanding shares of a company for a period of one year or longer may apply to the court for appointment of inspector to inspect the current status business operations, the financial accounts and the property of the company.

The court may, when it deems necessary based on the report made by the inspector, order the supervisor(s) of the company to convene a meeting of shareholders.

Any person who impedes, refuses or evades the inspection to be conducted by the inspector, or the supervisor(s) who fails to convene a meeting of shareholders as ordered by the court shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000.

Section 7.Corporate Bonds

Article 246. A company may, by a resolution adopted by the Board of Directors, invite subscription for corporate bonds, provided that the reasons for the said action as well as other relevant matters shall be reported to the meeting of shareholders.

The aforesaid resolution shall be adopted by a majority of directors at a meeting attended by two-thirds or more of the total number of directors.

Article 246-1. When a company issues corporate bonds, the company may covenant that the preferential order of the corporate bonds to receive indemnification shall be lower than that of other claims of the company.

Article 247. The total amount of corporate bonds shall not exceed the net remainder of all assets in hands of the company after deducing all liabilities and intangible assets.

The total amount of unsecured corporate bonds shall not exceed one-half of the aforesaid net remainder.

I.When a company plans to issue corporate bonds, an application setting forth therein the following particulars shall be filed with the authority in charge of securities affairs:

1. The name of the company;
2. The total amount of corporate bonds to be issued and the value of each bond;
3. The interest rate payable on the corporate bonds;
4. The method and deadline date for redemption of the corporate bonds;
5. The plan for raising and the method for custody of the funds raised;
6. The purpose for which the funds raised by issuing corporate bonds are to be used, and the plan for using such funds;
7. If corporate bonds have been issued in the past, the amount of such bonds remains unredeemed;
8. The value or the minimum value at which corporate bonds are to be issued;
9. The total number of authorized shares of the company and the total number and the amount of shares actually issued;
10. The amount of balance of all existing assets of the company after deducting all liabilities and intangible assets;
11. The financial statements which should be prepared and submitted pursuant to the requirements of the authority in charge of securities affairs;
12. The name or title of the trustees of all holders of the corporate bonds, and the covenants made in the mandates except for the issuance of corporate bonds to specific creditors;
13. The name or title and the address of the bank or the post office to collect payments on behalf of the company;
14. The name or title of the underwriter or the distributing agent(s), if any, and the covenants contained in the mandate;
15. The type, name and evidential documents of the security or collateral, if any, provided for issuing the corporate bonds;
16. The name or title and the evidential documents of the guarantor(s), if any, for the issuance of the corporate bonds;
17. The facts or the current status of previous contract violating act or delay in payment of principal and interest of indebtedness of the company in respect of the corporate bonds previously issued or other liabilities incurred by the company, if any;
18. If the corporate bonds to be issued are convertible into shares, the method of such conversion;
19. If share subscription warrants is associated with the corporate bonds to be issued, the method for exercising such option;
20. The minutes of the meeting of the board of directors involved;
21. Other matters pertaining to the issuance of the corporate bonds, or other requirements stipulated by the authority in charge of securities affairs.

II. Issue of corporate bonds to specific creditors shall be free from the restrictions set out in Item 2, Article 249 and Item 2, Article 250 hereof provided, however, that the company shall, within 15 days after the issuance thereof, submit to the authority in charge of securities affairs for its records a report on the issuance thereof accompanied with relevant supporting information. Companies eligible for issuing corporate bonds to specific creditors shall not be limited to the companies listed on centralized trading floor or over the counter trading places, and the companies whose shares are issued to the public.

III. The number of creditors to whom the corporate bonds are to be issued shall not exceed 35 persons, but this limitation shall not apply, if the subscribers are of financial institutions.

IV. In the event of any change in any of the particulars declared under the preceding Paragraph, the company shall file to the authority in charge of securities affairs an application for correction. The responsible person(s) who fail(s) to apply for such correction shall be subject to a fine of not less than NT$ 10,000 but not more than NT$ 50,000 to be imposed by the authority in charge of securities affairs.

V. The information as required in Item 7; Items 9 through 11; and Item 17 of Paragraph I under this Article shall be audited and certified by a certified public accountant; while the information as required in Items 12 through 16 shall be verified and certified by a practicing lawyer.

VI. The trustees as required in Item 12, Paragraph I under this Article shall be limited to banking and trust enterprises, and shall be appointed at the time when applying for issue of corporate bonds and shall be paid by the company for their services.

VII. In the event the aggregate number and value of the corporate bonds convertible into shares as set forth in Item 18 or of the aggregate number and value of the shares subscribable under Item 19 of Paragraph I of this Article plus the total number of outstanding shares, the total number of shares convertible from the corporate bonds previously issued, the total number of shares subscribable by holders of the share subscription warrants associated to the special shares previously issued, and the total number of shares subscribable by holders of share subscription warrants previously issued exceeds the total number of shares specified in the articles of incorporation, the issue of convertible corporate bonds may be effected only after a change or alteration of the Articles of Incorporation for increasing the amount of capital stock has been made.

Article 249. Under any of the following circumstances, a company shall not issue unsecured corporate bonds;

1. Within 3 years from the date of settlement, where the company has done any act in breach of contract, or has been in default of payment of principal and interest, in respect of previously issued corporate bonds or other debts, although the debt is now settled; or

2. Where the company's average annual net profit, after paying tax, of the most recent three years or, in case the company has been in operation for less than three years, of the years the company is in operation, does not reach one hundred fifty per cent of the total amount of interest payable on corporate bonds intended to be issued.

Article 250. Under any of the following circumstances, a company shall not issue corporate bonds:

1 .Where the company has done any act in breach of contract, or has been in default of payment of principal and interest, in respect of previously issued corporate bonds or other debts, and such state of thing still exist; or 2.Where the company's average annual net profit, after paying tax, most recent three years or, in case the company has been in operation for less than three years, of the years the company is in operation, does not reach one hundred per cent of the total amount of interest payable on corporate bonds intended to be issued, provided, however, that corporate bonds that are issued under bank guarantee shall not be restrained.

Article 251. After approval to issue corporate bonds is granted to a company, if any of the particulars in the application shall be found contrary to law or ordinance, or fraudulent, the authority in charge of securities affairs may annul the approval. In the event of the aforesaid annulment of approval, the invitation to subscriptions in respect to unissued bonds shall be called off, and all issued bonds shall be redeemed immediately. The responsible persons of the company shall be jointly liable to compensate the company and the subscribers for loss or damage resulting there-from. The provisions of Article 135, Paragraph 2, shall apply, mutatis mutandis, to the circumstances specified in this article, Paragraph 1.

Article 252. After approval of the application for issuing corporate bonds, the board of directors shall, within thirty days after receipt of the notice of such approval, start inviting subscriptions by preparing forms of subscription, setting forth therein all the particulars enumerated in Paragraph I, Article 248, and the title of the authority in charge of securities affairs granting the approval, together with the date and the reference number of the approval letter, and by making a public announcement thereof. But the financial statements as required in Item 11, the covenants set out in the mandate as required in Items 12 and 14, the evidentiary documents as required in Items 15 and 16, and the minutes of the meeting as required in Item 20 under Paragraph I, Article 248 of this Act need not be declared in the public announcement.

Where the company has failed to begin inviting subscriptions during the aforesaid time limit but still desires to invite subscriptions, a new application shall be filed therefore.

If the director designated to represent the company fails to prepare the forms of subscription in accordance with the provisions of Paragraph I, such director shall be subject to a fine of not less than NT$ 10,000 but not more than NT$ 50,000 to be imposed by the authority in charge of securities affairs.

Article 253. Subscribers shall fill in the forms of subscription by indicating therein the amount of subscription and their domiciles or residences, affixing their respective signatures or seals thereon, and assume the obligation to pay the amount they have filled in the forms of subscription. Subscribers who buy bearer corporate bonds with cash on the spot of subscription need not fill in the aforesaid forms of subscriptions.

Article 254. The Board of Directors shall after subscriptions have been made by subscribers, request such subscribers to pay in full the amounts they have subscribed.

Article 255. Before making the request provided for in the preceding article, the Board of Directors shall prepare a complete list, setting forth therein the name and domiciles or residences of and the amount subscribed by, all subscribers or registered corporate bonds and also the number, serial numbers and amount of money of all bearer corporate bonds already issued, and send the list together with the documents set forth in Article 248, Paragraph 1, to trustees of corporate bondholders.

The aforesaid trustees shall, for the interest of subscribers, have the right to check and supervise the performance by the company of the obligation arising from the issue of corporate bonds. Mortgages or pledges established by the company for the purpose of issuing corporate bonds may be taken over by the trustees for the bondholders and may be established prior to the issue of corporate bonds.

The trustees shall be responsible for the enforcement and safe-keep of the aforesaid mortgages or pledges or the securities furnished under the mortgages or pledges.

Article 257. Certificates of corporate bonds shall, prior to their issuance, bear serial numbers, issuing dates and all the particulars as required Items 1 to 4, and Item 18 and Item 19 under Paragraph I of Article 248 of this Act. If the corporate bonds to be issued are issued under guarantee, or are convertible to shares, or may be used for subscribing shares, they shall be marked with the words of "Guaranteed", "Convertible" and/or "share subscription allowed", and shall be affixed with signature or seal of three or more directors, and they shall be certified by the authority in charge of securities affairs or by the securities issuance and registration agencies

authorized by such authority. In addition to the particulars to be indicated on the certificates of corporate bonds as required by the preceding Paragraph, the name or title and the signature or seal of the guarantor(s) shall also be indicated and affixed on the face of the secured corporate bond certificates.

Article 257-1. In issuing corporate bonds, the company may print a single consolidated corporate bond certificate to cover the total amount of the corporate bonds to be issued at each time.

The corporate bond certificate to be issued under the preceding Paragraph shall be placed under the custody of a centralized securities custody institution.

The provisions set out in Item 2, Paragraph I of Article 248; Article 257; Article 258, and Article 260 of this Act regarding the value, the serial number, and the endorsement for assignment shall not apply to the issuance of corporate bonds to be effected in accordance with the provisions of Paragraph I of this Article.

Article 257-2. The company issuing corporate bonds may be exempted from printing the certificate(s) in respect of the corporate bonds issued by it, but shall register with a centralized securities custody the corporate bonds issued by it.

Article 258. The counterfoil of corporate bonds shall bear the serial numbers of all such bonds and set forth the following particulars:

1. The names or titles and domiciles or residences of corporate bondholders;
2. Particulars as required in Items 2 to 4, the names of trustees as required in Item 12, the security/ collaterals and guarantors as required in Items 15 and 16, the particulars concerning conversion as required in Item 18; and the subscription as required in Item19 of Paragraph I, Article 248 of this Act.
3. The date of issue of the corporate bonds; and
4. The date on which each corporate bond is procured by a corporate bondholder.

Bearer corporate bond certificates shall be marked with the word "bearer" in lieu of the statement required under Item 1 of the preceding paragraph.

Article 259. If the proceeds realized from the issue of corporate bonds are applied for usage other than that stipulated without first applying for approval of such change, the responsible persons of the company shall be subject to imprisonment for a period not exceeding one year, detention and/or a fine not exceeding NT$60,000, and shall be liable to compensate the company for any loss or damage resulting there-from.

Article 260. Registered corporate bond certificates may be transferred with endorsement thereon by the holders; unless the name or title of the

transferee is recorded in the bond certificate, and the name or title and domicile or residence of the transferee are recorded in the counterfoil of the corporate bonds, such transfer shall not be set up as a defense against the company.

Article 261. Holders of bearer bonds may at any time request to have them converted into registered bonds.

Article 262. Where it is prescribed that corporate bonds may be converted into shares, the company shall have the obligation to allot shares in accordance with the prescribed method of conversion; however, the corporate bondholders shall have the right to choose.

Where the corporate bond is vested with share subscription right, the issuing company shall have the obligation to allot, in accordance with the subscription regulations, the shares for the holder of corporate bond to exercise the subscription right provided, however that the holder of the share subscription warrant shall have the option whether to exercise such right or not.

Article 263. The company, which issues corporate bonds, or the trustees of corporate bondholders, or the bondholders holding more than five per cent of the total corporate bonds in the same issue, may, for matters concerning the common interest of corporate bondholders convene meetings of corporate bondholders in the same issue.

Resolutions at the aforesaid meeting shall be adopted by two-thirds or more of the votes of bondholders present who hold bonds representing over three-fourths of the total number of corporate bonds and each bondholder shall have one vote for each minimum par value of the bonds. The provisions governing the attendance at the meetings of shareholders by shareholders of bearer share certificates of a company limited by shares shall apply mutatis mutandis to holders of bearer corporate bond certificates in attending the meetings referred to in Paragraph 1.

Article 264. The resolutions adopted at the meeting of corporate bondholders as provided in the preceding article shall be recorded in the minutes of meeting, signed by the chairman, and reported to the local court for approval and publication, after which such resolutions shall then bind of all corporate bondholders and shall be executed by trustees of corporate bondholders, unless otherwise designated by the meeting of corporate bondholders.

Article 265. The court shall not approve the resolutions of a meeting of corporate bondholders under any of the following certificates:

1. The procedure in convening a meeting of corporate bondholders or the method of adopting resolutions at the meeting is in violation of law or ordinance or statement contained in the subscription forms;
2. The resolution is not led to adoption in a proper way;

3. The resolution is apparently unjust and unfair; or

4. The resolution is contrary to the general interest of corporate bondholders.

Section 8.Issue of New Shares

Article 266. The provisions contained in this section shall govern the issue of new shares by installments under Article 156, Paragraph 2 and the issue of new shares after increase of capital under Article 278, Paragraph 2. The issue of new shares of a company shall be determined by the Board of Directors by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the directors.

The provisions of Article 141 and Article 142 shall apply mutatis mutandis to the issue of new shares.

Article 267. Unless otherwise approved specifically by the central authority in charge of the object enterprise, when a company issues new shares, there shall be ten to fifteen per cent of such new shares reserved for subscription by employees of the company.

When a government operated enterprise issues new shares, it may, after obtaining the special approval from the competent authority in charge of the said enterprise, reserve no more than ten per cent of such new shares for subscription by its employees.

In issuing new shares, a company shall make public announcement and advise, by notice, its original shareholders to subscribe for, with preemptive right, the new shares, except those reserved under either of the preceding two paragraphs, in proportion respectively to their original shareholding and shall state in the notice that if any shareholder fails to subscribe for new shares, his right shall be forfeited. Where a fractional percentage of the original shares being held by a shareholder is insufficient to subscribe for one new share, the fractional percentages of the original shares being held by several shareholders may be combined for joint subscription of one or more integral new shares or for subscription of new shares in the name of a single shareholder. New shares left unsubscribed by original shareholders may be open for public issuance or for subscription by specific person or persons through negotiation.

The right to subscription of new shares as provided for in the preceding three paragraphs, except those reserved for subscription by employees, may be separated from the rights in original shares and transferable independently. The provisions provided in Paragraphs One and Two under this Article for reserving the right of subscribing new shares by employees shall not apply to the case where the new shares are distributed to original shareholders as dividend shares capitalized with the reserve fund or the value increments of assets.

A company may restrain the shares subscribed by its employees under Paragraph One or Paragraph Two of the article from being transferred or assigned to others within a specific period of time which shall in no case be longer than two years.

The provisions set out in this Article shall not apply to the company which is merged by or with another company, or is split up, or is under reorganization, or is issuing new shares in accordance with the provisions set out in Article 167-2, Article 262, or Paragraph I, Article 268-1 of this Act. A company offering it's shares to the public and issuing restricted stock for employees shall not apply Paragraphs One to Six of this Article and shall adopt such resolution, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.

In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.

The competent authority in charge of securities shall prescribe rules governing the issuance amount, issuance price, issuance conditions and other matters for compliance for a company offering its shares to the public and issuing new shares in accordance with the preceding two Paragraphs. The responsible person of a company violating the provisions of Paragraph I under this Article shall be subject to a fine of not less than NT$ 20,000 but not more than NT$ 100,000.

Article 268. For issue of new shares, a company shall, unless such new shares are fully subscribed by its original shareholders and employees or by specific persons by agreement without any new share being open for public issuance, file an application, setting forth therein the following particulars, with the authority in charge of securities affairs for approval of public issuance:

1. The name of the company;
2. The originally authorized total number of shares, number of shares issued, and the value thereof;
3. The total number of new shares to be issued, par value of each share and other terms of issue;
4. The financial statements as required by the authority in charge of securities affairs;
5. The capital increase plan;

6. Where special (preference) shares are to be issued, the kinds and number of such shares, and the par value of each share, together with the matters specified in various Items of Article 157;

7. The number and amount of shares can be subscribed by each holder of a share subscription warrant or the person entitled to subscribe preferred shares;

8. The name and address of bank or post office to collect payment on shares on behalf of the company;

9. The name of the underwriter or distribution agency, if any, and matters agreed upon between the company and the underwriter or distributing agency;

10. The minutes indicating the resolution for the issue of new shares; and

11. Other matters as may be required by the authority in charge of securities affairs.

In the event of any change in any of the particulars required under the preceding paragraph, the company shall apply to the authority in charge of securities affairs for correction. The responsible person of the company who fails to apply for such correction shall be subject to a fine of not less than NT$ 10,000 but not more than NT$ 50,000.

All matters specified in Items 2 to 4 and 6 of Paragraph I shall be examined and certified by a certified public accountant, and those in Items 8 and 9, Paragraph I under this Article shall be examined and certified by a practicing lawyer.

The provisions of Paragraphs I and II under this Article shall not apply to the issue of new shares as referred to in Paragraph V of Article 267 of this Act. In case the aggregate of the number of new shares to be issued under the preceding Paragraph and the number and amount of share subscription warrants or the shares subscribable under the ancillary special share subscription rights plus the total number of outstanding shares, the total number of shares which can be acquired under outstanding convertible corporate bonds, the total number of shares subscribable under outstanding corporate bonds vested with share subscription rights, the total number of special shares subscribable under outstanding ancillary special share subscription warrants, and the total number of shares subscribable under outstanding share subscription warrants exceeds the total number of shares authorized by the Articles of Incorporation, such excessive number of shares may be issued only after completing the procedure for capital increase by making necessary changes or alterations in the Articles of Incorporation.

Article 268-1. The company issuing share subscription warrants or special shares under ancillary share subscription rights shall have the

obligation to allot the shares in accordance with the share subscription regulations, without being bond by the provisions set out in Article 269 and Article 270 of this Act provided, however, that the holders of such share subscription rights shall have the option whether to exercise such subscription rights or not. The provisions set out in Paragraph II, Article 266; Paragraphs I and II, Article 271; Article 272; and Paragraphs II and III, Article 273 hereof shall apply, mutatis mutandis, to company issuing share subscription warrants.

Article 269. Under any of the following circumstances a company shall not publicly issue special shares with preference;

1. Where its average net profit of the most recent three years or, in case the company has commenced its business for less than three years, of the years the company is in operation, after paying taxes, is not sufficient to pay dividends on special shares already issued and intended to be issued;

2. Where it has been in default in making regular payment of dividends on special shares already issued.

Article 270. Under any of the following circumstances a company shall not publicly issue new shares:

1. Where it has incurred losses in the most recent two consecutive years; this, however, shall not apply where the nature of business requires a longer period for preparation or it has a sound business plan under which its profit-making capability will be improved; or

2. Where its assets are not sufficient to meet liabilities.

Article 271. After approval to issue new shares publicly is granted to a company, if any of the particulars in the application shall be found contrary to law or ordinance or to be fraudulent, the authority in charge of securities affairs may annul the approval.

In case of the annulment in accordance with the preceding paragraph, all unissued shares shall be withheld from issuing and holders of issued shares may, from the time of annulment, demand repayment at the original fixed value of the shares together with legal interest and may claim compensation for loss or damage resulting there-from.

The provisions of Article 135, Paragraph 2 shall apply, mutatis mutandis, to this article.

Article 272. When a company publicly issues new shares, the payment on such shares shall be in cash; where such shares are not issued to the public; however, but rather subscribed to by shareholders or by particular persons by agreement, any property necessary to the business of the company may be in lieu thereof

Article 273. When a company publicly issues new shares, the Board of Directors shall prepare forms of subscription, setting forth therein the following particulars, to be filled by each subscriber with the number of

shares subscribed, the kind and value thereof, and his domicile or residence, and to be signed and sealed by the subscriber:

1. Particulars specified in Article 129, Paragraph 1, Items 1 to 6 and Article 130;

2. The total number of shares originally authorized or the number of shares already issued out of the total number of authorized shares after increase of capital and the value thereof;

3. Particulars specified in Article 268, Paragraph 1, Items 3 to 11; and

4. The time of payment for shares subscribed.

When a company publicly issues new shares, the company shall insert in the aforesaid forms of subscription the serial number of the document of approval and the date of approval by the authority in charge of securities affairs and shall, within thirty days after receipt of the notice of approval from such authority, publicly announce the particulars specified in the preceding paragraph together with the serial number of the document of approval and the date of approval and issuance of such shares. The business report, inventory, meeting minutes and the matters agreed upon with underwriter or distributing agency need not be publicly announced.

After the expiration of the time-limit set forth in the preceding paragraph, if a company still desires to invite public subscriptions, a new application shall be filed.

Subscribers who buy bearer share certificates with cash on the spot need not fill in the forms of subscription required by Paragraph 1. If the director designated to represent the company fails to prepare the forms of subscription in accordance with the provisions of Paragraph I under this Article, such director shall be subject to a fine of not less than NT$ 10,000 but not more than NT$ 50,000 to be imposed by the authority in charge of securities affairs.

Article 274. Where a company issues new shares other than to the public, under the proviso to Article 272, it shall still be required to make the forms of subscription available as required by Paragraph I of the preceding Article. If property other than cash is paid by subscribers, additional particulars such as the name/title of the subscriber, the type, the quantity and the value of or the standards for evaluation of the value of the property furnished by the subscriber, and the number of shares allotted to the subscriber by the company shall also be stated in the form of subscription.

After accepting property other than cash payment, the Board of Directors shall pass it on to the supervisor for inspection and comment, and shall report to the authority for approval.

Article 275. (Deleted).

Article 276. Upon expiration of the time limit set forth for payment on new shares, if there are still some not subscribed or some subscribed but

withdrawn or not yet paid for, the shareholders who subscribed the new shares and paid for them may set a time limit of over one month to press the company for full subscription and full payment on shares, failing which the shareholders may withdraw their subscriptions and the company shall refund the money paid on shares together with legal interest.

Directors whose acts are responsible for loss or damage to the company under the aforesaid circumstance shall be jointly liable for compensation.

Section 9.Modification or Alteration of the Articles of Incorporation

Article 277. A company shall not modify or alter its Articles of Incorporation without a resolution adopted at a meeting of shareholders.

The aforesaid resolution at the meeting of shareholders shall be adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.

For a company that has had its share certificates publicly issued, if the total number of shares represented by shareholders present at a shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution may be adopted by two-thirds of the votes of the shareholders present at a shareholders' meeting who represent a majority of the total number of issued shares.

Where stricter criteria for the total number of shares represented by shareholders present at a shareholders' meeting and the number of votes required to pass a resolution as referred to in the preceding two paragraphs are specified in the Articles of Incorporation, such stricter criteria shall govern.

Article 278. A company shall not increase the amount of its capital until the total number of its authorized shares has been fully issued.

After increase of the amount of capital, the number of new shares to be issued may be issued in installments.

Article 279. In case of replacement of old share certificates by new ones as a result of a reduction in capital, the company shall, after the registration of such reduction in capital, serve a notice upon each shareholder and require all shareholders to exchange their share certificates for new ones within a period of not less than six months, and shall make it known to all shareholders that any person who fails to effect such exchange within the time limit may forfeit all rights he shall otherwise enjoy as a shareholder. In case bearer share certificates have been issued, the foregoing information shall also be publicly announced. Any shareholder who fails to make the exchange within the aforesaid time-limit shall forfeit all rights and privileges he shall otherwise enjoy as a shareholder, and the company may dispose of his shares by auction and pay the proceeds realized there-from to such shareholder.

Responsible persons of the company who violate the provision of this article pertaining to the time limit for notice or public announcement shall be severally subject to a fine of not less than NT$3,000 but not more than NT$15,000.

Article 280. In the event of a consolidation of shares as a result of reduction in capital, the provisions of Paragraph 2 of the preceding article shall apply mutatis mutandis to the disposition of shares which cannot be consolidated.

Article 281. The provisions of Article 73 and Article 74 shall apply mutatis mutandis to reduction of capital.

Section 10.Reorganization of a Company

Article 282. Where a company which publicly issues shares or corporate bonds suspends its business due to financial difficulty or there is an apprehension of suspension of business thereof, but there is a possibility for the company to be constructed or rehabilitated, the company or any of the following interested parties may apply to the court for reorganization:

1. Shareholders who have been continuously holding shares representing ten per cent or more of the total number of issued shares for a period of six months or longer; or

2. Creditors of the company who have claims equivalent to ten per cent or more of the capital from the total number of issued shares.

For filing the reorganization application by a company under the preceding Paragraph, the Board of Directors of the company shall adopt a resolution by a majority vote of the directors present at a meeting of the Board of Directors attended by over two-thirds of all directors.

Article 283. The application for reorganization of a company shall be filed to the court in writing in five copies by the applicant(s) and shall state therein the following particulars:

1. The name and domicile or residence of the applicant and a statement on the status of the petitioner as such; in case the applicant is a juristic person, or an organization or agency, the title, the business place of office of the applicant;

2. The name or title and the location of the statutory representative or the agent, if any, and the relationship between the statutory representative and the applicant;

3. The name, location, office, business place, and the name, domicile or residence of the responsible person representing the company;

4. The cause and the fact of the application;

5. The business undertaken by the company and the condition of such business;

6. The reports, financial statements, records and books prepared by the company for the most recent year in accordance with the provisions set out in Article 282 hereof. If the application date falls beyond the sixth month after commencement of a year, a separate semi-annual balance sheet for the first half of the current year shall also be submitted; and 7.Opinions on the reorganization of the company.

The matters as required in Items 5 through7 of the preceding Paragraph may be supplemented by attachments.

In case the application is filed by the company, a substantial reorganization proposal shall be submitted.

In case the application is filed by shareholders or creditors, the documents identifying the qualification of the applicants shall be filed along with the application, but particulars as required in Items 5 and 6 of Paragraph I under this Article need not be stated.

Article 283-1. Under any of the following circumstances, an application for reorganization shall be dismissed by the court:

1. Where the application is not filed in accordance with the proper procedure provided, however, that if the improper filing procedure can be rectified, the applicant shall be ordered to take corrective action;

2. Where the company has not made public issuance of shares or corporate bonds;

3. Where the company has been adjudicated bankrupt by a final ruling;

4. Where the settlement resolution made by the company in accordance with the Bankruptcy Law has become final;

5. Where the company has been dissolved; or

6. Where the company has been ordered to wind up and to liquidate within a given time limit.

Article 284. Subject to the dismissal of the application as provided for in the preceding Article, the court shall, when it receives an application for reorganization, forthwith send copies of such application to the competent authority, the central authority in charge of end-enterprise concerned, and the authority in charge of securities affairs, and shall solicit their substantial opinions as to whether the reorganization shall be effected or not.

The court may also solicit the opinions on the proposed reorganization from the taxation authority and other relevant authorities at the locality of the company.

The authorities whose opinions are solicited by the court in accordance with the provisions of the preceding two Paragraph shall give their opinions within 30 days.

In case the applicants are shareholders or creditors of a company, the court shall send a notice with a copy of the application to the company.

Article 285. In addition to the requests for opinions as provided in the preceding article, the court may also select and appoint a person with specialized knowledge or experience in the operation of the business of the company but without any interest therein as the inspector who shall, within thirty days after appointment, complete the following examinations and submit a report accordingly:

1. The actual business, financial condition, and evaluation of the assets of the company;
2. To examine in the light of the analysis of the business and financial conditions, the assets and production equipment of the company to see whether the reconstruction or rehabilitation of the company is possible or not;
3. To examine the merits and demerits of the previous business operation of the company and the records of management of the operation by the responsible person of the company to see whether there was any neglect or improper practices;
4. To examine whether there is any fraudulent or false statement in the application;
5. To examine the feasibility of the reorganization proposal, if the applicant is the company; and
6. To examine other relevant reorganization proposals.

The inspector may inspect all books, records of accounts, documents and property relating to the business or finance of the company. The directors, supervisors, managerial personnel, or other staff personnel shall have the obligation to answer the enquiries made by the inspector regarding the operation and financial activities.

Directors, supervisors, managerial officers and other employees of the company who refuse the aforesaid examination or refuse to answer the aforesaid questions without reason or make false statements shall be severally subject to a fine not less than NT$ 20,000 but not more than NT$ 100,000.

Article 285-1. Based on the report made by the inspector and by making reference to the opinions provided by the central authority in charge of the end enterprise concerned, the authority in charge of securities affairs, the central authority in charge of financial affairs, and other relevant authorities and organizations, the court shall, within 120 days after its receipt of a reorganization application filed by a company, render a ruling to approve or to dismiss the said re-organization application and shall notify all authorities concerned of such ruling accordingly. The 120-day reviewing period fixed in the preceding Paragraph may be extended by a ruling to be made by the court for an additional 30 days provided that no more than two extensions may be

made. Under either of the following circumstances, the court may dismiss a company re-organization application:

1. Where any statement or information contained in the written application documents is found false or untrue; or

2. Where reconstruction and/or rehabilitation as proposed by the applicant is deemed unfeasible after considering the business and financial conditions of the company.

When dismissing a company reorganization application by a ruling to be rendered in accordance with the provisions set out in the preceding Paragraph, the court may, ex officio, make a bankruptcy pronouncement, if the conditions for bankruptcy are met.

Article 286. Prior to a ruling for reorganizers of a company, the court may order responsible persons of the company to prepare and submit lists of creditors and shareholders of the company within seven days according to the nature of their rights respectively, stating therein also their domiciles or residences and the total amount of credits or the total amount of money in shares.

Article 287. Prior to rendition of a ruling for reorganization of a company, the court may, at the request of the company or an interested party or ex officio, render a ruling for the following disposal:

1. Disposal for preservation of the company's property;
2. Restriction on the business of the company;
3. Restriction on performance of obligation of the company and exercise of claim against the company;
4. Suspension of proceedings for bankruptcy, com- position, or compulsory execution and others;
5. Prohibition of transfer of registered share certificates; and
6. Assessment of the liabilities of responsible persons of the company to compensate the company for loss or damage and preservation of their property.

The term of validity of the ruling to be made under the preceding Paragraph shall not exceed 90 days, unless otherwise fixed by the court; and may be extended when necessary by the court at the request of the company or an interest party provided that the duration of each extension shall not exceed 90 days.

In case the ruling for dismissing a company reorganization application becomes final prior to the expiry of the term of validity referred to in the preceding Paragraph, then the ruling rendered under Paragraph I under this Article shall become null and void.

In rendering a ruling under the provisions of Paragraph I of this Article, the court shall inform, by a notice, the authority in charge of securities affairs and the central authority in charge of the relevant end enterprise.

Article 289 (Deleted).

Article 289. At the time of ruling for reorganizers, the court shall select and appoint a person with specialized knowledge and experience in the operation of the business of such company or a banking institution as reorganization supervisor and decide on the following matters:

1. The period and place for declaring rights of creditors and shareholders, and the period shall not be less than ten days nor more than thirty days from the date of ruling;
2. The date and place to examine rights of creditors and shareholders thus declared, and the date shall be within ten days of the date of expiration of the aforesaid period for declaration; and
3. The date and place of the first meeting of parties concerned, and the date shall be within 30 days of the date after expiration of the period for declaration mentioned in Item 1.

The aforesaid reorganization supervisor shall act under the supervision of the court and may be discharged by the court at any time.

In case there is a plural number of reorganization supervisors, supervision on the execution of all matters relating to reorganization shall be effected by a majority vote of them.

Article 290. The reorganizers of the company shall be selected and appointed by the court from among the relevant experts recommended by creditors, shareholders, directors, the central authority in charge of the relevant end enterprise, and/or the authority in charge of securities affairs.

The provisions set out in Article 30 hereof shall apply mutatis mutandis to reorganizers.

In the meeting of interested parties, if the result of the voting conducted in groups under Article 302 shows that two or more groups prefer a change of reorganizers, a list of candidates may be submitted to the court along with an application for such change.

In case there is a plural number of reorganizers, execution of all matters relating to reorganization shall be effected by a majority vote of them. In the execution of duties, the reorganizers shall act under the supervision of the reorganization supervisors. In case a reorganizer Acts in violation of the laws or improperly, the reorganization supervisors may apply to the count for discharging his/her office and selecting a new one

In the execution of duties, the reorganizers shall secure the prior consent of the reorganization supervisor:

1. Disposal of property of the company outside the scope of its business;
2. Change of the business of the company or in the ways of operation;
3. Contract of loans;

4. Conclusion or rescission of important or long term contracts, the scope of which shall be determined by the reorganization supervisor;

5. Proceeding in litigation or arbitration;

6. Waiver or assignment of rights of the company;

7. Dealing in cases where others exercise rights of retrieval, rescission or set-off;

8. Appointment and removal of important officers of the company; and 9.Other acts restricted by the court.

Article 291. After rendering a ruling of company reorganization, the court shall publish the following particulars by means of a public notice:

1. The text and the date of the ruling of company reorganization;

2. The name or title and the domicile or address of the reorganization supervisor and the reorganizers;

3. The period, date and place as fixed in accordance with the provisions of Paragraph I, Article 289 hereof; and

4. The legal consequences which may result from the negligence of the creditors and shareholders of bearer share certificates of the company to declare their claims and rights.

The court shall still be obligated to serve notice in writing of the ruling and the particulars contained therein to the reorganization supervisor, the reorganizers, the company and the known creditors and the shareholders. At the time the court sends the aforesaid notice of ruling to the company, the court shall send a court clerk to write down in the accounting books the account-closing decision, to affix thereon his signature or seal, and to write down a brief statement describing the condition of such accounting books.

Article 292. The court shall, after rendering ruling for reorganization, notify the competent authority with a copy of such ruling for registration of the institution of reorganization; the company shall post the copy of the aforesaid ruling on the notice board of the its registered office.

Article 293. After delivery of the ruling for reorganization of the company, the operation of the business of the company and the power of controlling and disposing of the property thereof shall be transferred to reorganizers, and the reorganization supervisor shall supervise such transfer, which shall then be reported to the court.Upon such transfer, the shareholders' meeting, directors and supervisors shall cease to perform their duties and to exercise their powers. At the time of the aforesaid transfer, the directors and managerial officers of the company shall hand over to the reorganizers all statements and records of accounts and documents relating to the business and finance of the company and all property thereof.

The directors, supervisors, managerial personnel, or other staff personnel shall have the obligation to answer the enquiries made by the reorganization supervisors or reorganizers regarding the operation and

financial activities. Directors, supervisors, managerial officers or other members of the staff of the company, for any of the following acts, shall be severally subject to imprisonment for a period not exceeding one year, detention and/or a fine not exceeding NT$60,000:

1. Refusal to transfer;
2. Concealment, destruction or damage of statements, records of accounts or documents relating to the business or financial condition of the company;
3. Concealment, destruction, or removal of property of the company, or the disposal of such property a manner prejudicial to creditors;
4. Refusal to answer questions mentioned in the aforesaid paragraph without reason; and
5. Fabrication of debts or acknowledgement of untrue debts.

Article 294. After a ruling for reorganization is rendered, all procedures of bankruptcy, composition, compulsory execution and other litigation involving property shall be suspended in due course.

Article 295. The disposition made by the court in accordance with the provisions of Article 287, Paragraph 1, Items 1, 2, 5 and 6 shall remain in effect regardless of the ruling for reorganization, and in the absence of such disposition, the court may still render such rulings on the application of an interested party or the reorganization supervisor or ex officio after having rendered the ruling for reorganization.

Article 296. All rights of creditors of the company established prior to the ruling for reorganization shall be rights of creditors in reorganization; all rights with preference for repayment according to law shall be preferred rights of creditors in reorganization; all rights secured by mortgages, pledges or rights of retention shall be secured rights of creditors in reorganization; and all rights without such security shall be rights of creditors without security. All such rights of creditors shall not be exercised unless in a accordance with reorganization procedures.

The provisions of the Bankruptcy Law relating to the rights of creditors in bankruptcy, with the exception of provisions governing right of discriminative, and preferential rights shall apply mutatis mutandis to the aforesaid rights of creditors.

Rights of retrieval, rescission or set off shall be exercised against the reorganizers.

Article 297. All creditors in reorganization shall produce documents to sufficiently prove the existence of their rights for declaring their rights to the reorganization supervisor and, if so declared, the prescription is interrupted and, if not declared, no repayment shall be made according to the reorganization procedures.

Rights of registered shareholders of the company shall be based on records in the shareholders' roster. The provision of the preceding paragraph governing declaration shall apply mutatis mutandis to rights of unregistered shareholders and, if not declared, no such right shall be exercised according to the procedures of reorganization.

In case of failure to declare as provided in the two preceding paragraphs for causes not attributable to the persons of whom declaration is required, such persons may make good the declaration within fifteen days after extinction of the cause; however, no declaration shall be accepted after the reorganization plan has been adopted at a meeting of the concerned parties.

Article 298. The reorganization supervisor shall, after the expiration of the period for declaring rights, in accordance with findings in the preliminary examination, prepare lists of preferred creditors in reorganization secured creditors in reorganization, unsecured creditors in reorganization and shareholders respectively, stating therein the nature of their rights, sums of money and number of votes, and shall submit a report to the court, keep all of the above at a suitable place, and publicly announce the date and place of such keeping so that the creditors in reorganization, shareholders and other interested persons may inspect, all to be done three days before the date mentioned in Article 289, Paragraph 1, Item 2. The number of votes of creditors in reorganization shall be determined in proportion to the amounts of money involved in their credits.

The number of votes of shareholders shall be provided in the Articles of Incorporation.

Article 299. In the court's session of hearing rights of creditors in reorganization and rights of shareholders, the reorganization supervisor, reorganizers, and responsible persons of the company shall be present to answer inquiries, and the creditors in reorganization, shareholders and other interested persons may be present to express their opinions.

In the event of any objection to the right of creditor or the right of shareholder, the court shall render a ruling on such right.

Any interested person who substantially contests the right of creditor or the right of shareholder shall institute an action for determination within twenty days after the service of the ruling referred to in the preceding paragraph, and prove to the ruling court that such action has been instituted. After instituting such action and before a judgment thereto becomes irrevocable, the right concerned shall be exercised according to the contents of, and in the amount allowed by the ruling referred to in the preceding paragraph; however, in receiving the repayment in accordance with the plan of reorganization, the amount received shall be deposited with a court.

A right of creditor or a right of shareholder shall be deemed final and shall have the same effect as an irrevocable judgment against the company

and all the shareholders and creditors of the company if prior to the end of hearing in court no objection was raised against such right.

Article 300. All creditors in reorganization and shareholders shall be concerned persons in the reorganization of the company and shall attend meetings of concerned persons. They may appoint a proxy to attend such meetings if they are unable to do so in person for any cause.

The reorganization supervisor shall be the chairman of all meetings of concerned persons and shall convene all such meetings with the exception of the first meeting.

The reorganization supervisor, in calling meetings as provided in the preceding paragraph, shall serve notice and public announcement five days prior to the meeting, stating therein the purpose of the meeting. In the event that no conclusion can be reached at one meeting, and announcement to adjourn or postpone the meeting is made on the spot by the reorganization supervisor, then no service of notice or public announcement is required. At the meeting of concerned persons, the reorganizers and responsible persons of the company shall be present to answer inquiries. Responsible persons of the company who refuse to answer inquiries as aforesaid without reason or make false statement in their replies shall be severally subject to imprisonment for a period not exceeding one year, detention and/or a fine not exceeding NT$60,000.

Article 301. The functions of the meeting of concerned persons are as follows:

1. To hear reports on business and financial conditions of the company and opinions on reorganizers of the company;
2. To deliberate and vote on the reorganization plan; and
3. To resolve other matters relating to reorganization.

Article 302. At the meeting of concerned persons, the voting right shall be exercised in groups of claimants as provided in Article 298, Paragraph 1, and resolutions shall be adopted by a majority vote of over one-half of the aggregate votes of different groups.

In the event that there is no net value of capital of the company, the shareholders group shall not exercise voting right.

Article 303. The reorganizers shall draw up a plan of reorganization and submit same together with reports and statements of business and finance of he company to the first meeting of concerned persons for examination. In the event of a change of reorganizers as provided in Article 290, the reorganization plan shall be submitted by newly appointed reorganizers within on㊀ month.

Article 304. The following particulars, if any, in the reorganization of a company, shall be stated clearly in the reorganization plan:

1. Changes in rights of any or all creditors in reorganization or shareholders;

2. Changes in part or all of the business;

3. Disposal of property;

4. Ways and means of paying debts and the financial source thereof;

5. Standards and methods of valuation of assets of the company;

6. Alteration of the Articles of Incorporation of the company;

7. Readjustment or reduction of employees; 8.Issue of new shares or corporate bonds; and

8. Other necessary matters.

Subject to the deadline date for discharge of all liabilities otherwise fixed, the duration for execution of the company reorganization plan shall not exceed one year as calculated from the date on which the court ruling of approval of the reorganization plan becomes final. In case the reorganization plan can not be completed as scheduled with good cause shown, an application for extension may be filed, with prior consent of the reorganization supervisors, with the court for a court ruling of extension provided, however, that if the reorganization plan is still not completed upon expiry of the extended period, then the court may, ex officio or at the petition of interested party or parties, render a ruling of termination of the company reorganization plan.

Article 305. In case the reorganization plan is adopted at the meeting of interested parties, the reorganizers shall apply to the court for a ruling of approval and thereupon execute it, and shall also report such court ruling of approval to the competent authority for its record.

The company reorganization plan approved by the court shall bind on the company and the interested parties, and if the obligation to perform as specified in such plan can be set up as the object of compulsory execution, the reorganization plan may be subject to compulsory execution accordingly.

Article 306. In case the plan of reorganization is not adopted by the groups with voting right at the meeting of persons concerned, the reorganization supervisor shall forthwith report to the court and the court may direct modification or alteration on fair and reasonable principle and order the meeting of persons concerned to reconsider the plan within one month.

In case the aforesaid plan of reorganization remains not adopted upon reconsideration at the meeting of persons concerned, the court shall render a ruling to terminate the reorganization; however, if the company is really worthy of reorganization the court may, as against the dissenting group, amend the plan of reorganization in any one of the following ways and render a ruling to approve it:

1. That the property held as security by secured creditors in reorganization together with the right of claim is to be transferred to the company after reorganization, and such right is to remain in existence without any change;

2. That the property held as security by secured creditors in reorganization, the property that can be appropriated to meet repayments to unsecured creditors in reorganization and the residual property that can be distributed to shareholders may, on the basis of its price if fair deals and in proportion to the sharing parts to which such creditors and shareholders are entitled, be disposed of for repayment, distributed to those entitled to receive it, or deposited with a court; or

3. Other fair and reasonable ways beneficial to maintaining the business of the company and protecting the right creditors.

In case the plan of reorganization mentioned in the first paragraph of the preceding article or in the preceding paragraph cannot or need not be executed on account of change in circumstances or for a good cause, the court may, on application of the reorganization supervisor, reorganizers, or persons concerned, render a ruling to order the meeting of persons concerned to reconsider. In case there is obviously no possibility of or necessity for reorganization, the court may render a ruling for termination of reorganization. The aforesaid plan of reorganization adopted on reconsideration shall be submitted in an application to the court for a ruling of approval. In case the reorganization plan is not resolved by the meeting of the interested parties within one year after the ruling served to the company, the court may, ex officio or at the petition of interested party of parties, render a ruling of termination of the reorganization; the same procedure shall be followed if the reorganization plan is not resolved within one year after the ruling of reconsideration served to the company by the court according to the third paragraph.

Article 307. In taking the measures as set forth in the two preceding Articles, the court shall seek the opinions of the central competent authority, the central authority in charge of the relevant end enterprise, and also the authority in charge of securities affairs.

Where the court renders a ruling for termination of reorganization, it shall notify the competent authority and provide it with a copy of such ruling; and the competent authority shall, when the said court ruling becomes final, forthwith make a registration of termination of the reorganization plan, and if the conditions for bankruptcy are met, the court may, ex officio, render a ruling to pronounce the company bankrupt.

Article 308. Except when the provisions of the Bankruptcy Law shall govern in the case that a court has ex officio, rendered a judgment to adjudge

a company bankrupt, a ruling for termination of reorganizers rendered by a court shall have the following effects:

1. Any disposition or effect thereof under Article 287, Article 294, Article 295 or Article 296 shall be null and void;

2. A person who has been barred from exercising his right for neglect in declaring the right shall have such right restored; and

3. The shareholders' meeting, directors and supervisors whose powers and functions have been suspended on account of reorganization shall have such powers and functions restored forthwith.

Article 309. During the process of reorganization of a company, if any of the following provisions conflict with the fact, the court may, at the request of the reorganizers, render a ruling of other appropriate disposition:

1. The provisions of Article 277 governing amendment or alteration of the Articles of Incorporation;

2. The provisions of Article 278 governing increase of capital;

3. The provisions of Article 279 and 281 governing the period of time for serving notice and making public announcement of and restrictions on the reduction of capital;

4. The provisions of Article 268 to 270 and Article1 276 governing issue of new shares;

5. The provisions of Article 248 to 250 governing issue of corporate bonds;

6. The provisions of Article 128, Article 133, Article 148 through 150, and Article 155 governing incorporation of companies; or

7. The provisions of Article 272 governing the categories of capital contribution.

Article 310. Reorganizers of a company shall complete the reorganization plan within the implementation schedule specified therein; and upon completion of the reorganization plan, shall apply to the court for a court ruling of recognition of the completion of the reorganization, and shall, after such court ruling became final, convene a meeting of shareholders for election of directors and supervisors.

After assuming their offices as directors and supervisors, the directors and supervisors shall, in conjunction with the reorganizers, file an application with the competent authority for registration or for company alteration registration.

Article 311. Upon completion, the reorganization of a company shall have the following effects:

1. The rights of claims on the unpaid parts of obligatory rights already declared shall expire except such parts as assigned to and assumed by the company after reorganization according to the plan of reorganization; the same shall apply to obligatory right not declared;

2. The changed, decreased or cancelled part of the right of shareholders in consequence of the reorganization shall expire; the same shall apply to the right of bearer share certificates not declared; and

3. Procedure of bankruptcy, composition, compulsory execution and other litigations involving property of the company prior to the ruling for reorganizers shall be ineffective.

The rights of creditors of a company against securities and other common debtors of the obligations of the company shall not be affected by the reorganization of the company.

Article 312. The following debts incurred during the reorganization of the company shall have preference for repayment over the rights of creditors in reorganization:

1. Debts incurred for continued operation of the business of the company; and

2. Expenses incurred in the process of reorganization.

The aforesaid right of preference for repayment shall not be prejudiced on account of a ruling for termination of reorganization.

Article 313. Inspectors, reorganization supervisors and reorganizers shall perform their duties with the care of good administrators. Their remuneration shall be determined by the court in consideration of the nature of their duties. An inspector, reorganization supervisor or reorganizer who violates law or ordinance in the performance of his duties, thereby causing loss or damage to the company, shall compensate the company. Inspectors, reorganization supervisors or reorganizers who make a false statement or record of their acts within the scope of duties shall be severally subject to imprisonment for a period not exceeding one year, detention and/or a fine not exceeding NT$60,000.

Article 314. The provisions of the Code of Civil Procedure shall apply mutatis mutandis to jurisdiction, application, notification process service, public announcement, ruling interlocutory appeal, and other proceedings in this section. Section 11.Dissolution, Consolidation or Merger and Split-up.

Article 315. A company limited by shares shall be dissolved under any of the following circumstances:

1. Upon occurrence of the cause of dissolution as specified in the Articles of Incorporation;

2. Upon achievement or non-achievement of the objective of the business undertaken by the company;

3. Upon adoption of a resolution to dissolve the company at a meeting of shareholders;

4. Where the number of shareholders of registered share certificates is less than two persons; except that the only one shareholder is a government agency or a juristic person;

5. Upon consolidation or merger with another company;
6. Upon split-up of the company;
7. Upon bankruptcy of the company; and
8. Upon rendition of a dissolution order or judgment.

Under the circumstance specified in Item 1 of the preceding paragraph, the company may continue its business operations after amendment or alteration of the Articles of Incorporation is approved by a meeting of shareholders; and under the circumstance set forth in Item 4, the company may continue its business operations by increasing the number of shareholders of registered share certificates.

Article 316. A resolution for dissolution, consolidation or merger, or split-up of a company shall be adopted by a majority vote at a meeting of shareholders attended by shareholders representing two-thirds or more of the total number of the outstanding shares of the company.

For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at a shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution may be adopted by two-thirds of the votes of the shareholders present at a shareholders' meeting attended by shareholders representing a majority of the total number of the outstanding shares of the company.

Where a higher criteria for the total number of shares represented by the shareholders present at a meeting of shareholders and the total number of votes required to adopt a resolution thereat are specified in the Articles of Incorporation of the company, such higher criteria shall prevail. When a company is to be dissolved for any cause other than bankruptcy, the board of directors shall forthwith notify each of the shareholders of the essentials of such dissolution plan and make a public announcement if bearer share certificates have been issued.

Article 316-1. In the case of merger/consolidation between two independent companies limited by shares or between a company limited by shares and a limited company, the surviving company or the newly incorporated company under the merger/consolidation project shall be limited to a company organized in the form of a company limited by shares.

In the case of split-up of a company limited by shares, the surviving company or the newly incorporated company shall be limited to a company organized in the form of a company limited by shares.

Article 316-2. Where 90% or more of the outstanding shares of a subsidiary company is held by its controlling company, the controlling company may merge/consolidate with the said subsidiary company upon a resolution to be adopted separately at a meeting of the board of directors of both the controlling company and the subsidiary company by a majority vote

of the directors present at the meeting of board of directors attended by directors representing two-thirds of the directors of the respective companies; and the resolutions of merger/consolidation so adopted shall be exempt from the application of the provisions set out in Paragraphs I through III, Article 216 of this Act governing the resolutions of Shareholders' meeting.

After adoption of the resolution by the board of directors of the subsidiary company under the preceding Paragraph, a notice shall be given to each of its shareholders and shall state therein that any shareholder who has an objection against that resolution may, within 30 days or a longer period, submit a written objection requesting the subsidiary company to redeem, at a fair price, the shares of the subsidiary company he holds.

Where the share redemption price is to be decided by an agreement to be reached through negotiation between the subsidiary company and its shareholders under the preceding Paragraph, the subsidiary company shall, within 90 days from the date of adoption of the resolution by the board of directors, effect the payment of the redemption price; whereas, if no agreement on the redemption price is adopted in the foregoing negotiation within 60 days from the date of adoption of the said resolution by the board of directors, the shareholders shall, within 30 days after such 60-day period, apply to the court for its decision on the redemption price by a court ruling. The request of a shareholder for redemption of shares by the subsidiary company shall become mull and void, if the merger/consolidation resolution is cancelled by the subsidiary company. This clause shall also apply to the case where the shareholder fails to make the requests within the time limit set out in Paragraphs II and III under this Article.

The provisions of Article 317 governing redemption shares held by an objecting shareholder shall not apply the controlling company. Where the Articles of Incorporation of the controlling company need to be amended after completion of the merger/consolidation project, the provisions of Article 277 hereof shall govern.

Article 317. When a company is split up or to be consolidated or merged with another company, the Board of Directors shall draft a split-up plan or a contract of consolidation or merger in respect of the matters related to such company split-up plan or the consolidation or merger contract and shall submit the same to a meeting of shareholders. Any shareholder who has expressed his dissension, in writing or verbally with a record before or during the meeting, may waive his voting right and request the company to buy back, shares of the split and consolidated or merged company he holds at the prevailing fair price. In case the another company referred to in the preceding Paragraph is a newly incorporated company, then the meeting of shareholders of the split company shall be regarded as the promoters meeting

of the said another company, and election of the directors and supervisors of such new company may be conducted at that meeting.

The provisions of Article 187 and Article 188 of this Act shall apply, mutatis mutandis, to the circumstance specified in the preceding Paragraph.

Article 317-1. The contract of consolidation or merger, as mentioned in Paragraph 1 of the preceding article, shall be made in writing setting forth the following particular:

1. The name of the consolidated or merged company and, after the consolidation or merger, the name of the surviving company or the newly incorporated company;

2. Total number of shares, kinds of shares and amounts of each kind issued by the surviving company or newly incorporated company as a result of the consolidation or merger;

3. Where shares are to be issued to shareholders of the dissolved company by the surviving company or newly incorporated company as a result of consolidation or merger, the total number of new shares, kinds of shares and amount of each kind, method of distribution, together with other relevant matters;

4. The relevant provision applicable if the amount of shares to be issued to shareholders of the dissolved company after consolidation or merger is less than the value of one share and payable in cash;

5. The Articles of Incorporation of a surviving company must be modified or altered, or that of a newly incorporated company to be executed, in accordance with Article 129.

The aforesaid contract of consolidation or merger shall be sent to shareholders together with the notice to convene a meeting of shareholders for approval of the resolution to be adopted for consolidation or merger.

Article 317-2. The company split-up plan according to Paragraph I, Article 317 shall be reduced to writing and contain the following particulars:

1. The changes/alterations need to be made in the Articles of Incorporation of the existing company succeeding the business of the split company, or the full text of the Articles of Incorporation;

2. The value of the business, the assets and the liabilities of the split company, and the share swap ratio and calculation basis;

3. The total number, categories, and the number in each category of the new shares to be issued by the existing company succeeding the business of the split company or to be issued by the new company to be incorporated;

4. The total number, categories, and the number of share in each category of the shares to be acquired by the split company or its shareholders;

5. Where the fractional share to be distributed to the split company or its shareholder is to be paid in cash, the relevant provisions governing the process thereof;

6. The rights and obligations of the split company to be succeeded by the existing company or by the new company to be incorporated, and the mattes in connection therewith;

7. Where the capital stock of the split company is reduced, the matters in connection with such capital reduction;

8. The matters which shall be settled in the cancellation of the shares of the split company; and

9. Where the company split-up plan is to be carried out jointly by a company and another company, the resolutions of company split-up to be adopted by both companies shall contain the matters pertaining to such joint splitting arrangement.

The company split-up plan as required in the preceding Paragraph shall be disseminated to all shareholders along with the notice of meeting of shareholders which is convened for a resolution on the approval of the company split-up plan.

Article 317-3 (Deleted).

Article 318. After consolidation or merger of a company, the Board of Directors of the surviving company or promoters of the new company shall, after having completed the procedure of serving follow-up notice to creditors and, in case there are shares consolidated as a result of the consolidation or merger transaction, after such consolidation becomes effective or, in the case where shares are not suitable for consolidation, after such shares are disposed of, take the following appropriate procedures respectively as the case may be: 1 .The surviving company shall at once convene a meeting of the shareholders after consolidation or merger and report on matters of consolidation or merger and, in case of any necessity to modify or alter the Articles of Incorporation, shall also modify or alter the Articles of Incorporation; 2.The newly incorporated company shall at once convene a meeting of promoters and draw up the Articles of Incorporation. The provisions set out in the Articles of Incorporation drawn up under the preceding Paragraph shall not contravene any of the provisions set out in the contract of consolidation or merger.

Article 319. The provisions of Article 73 to 75 shall apply, mutatis mutandis, to the merger/consolidation or split-up of a company limited by shares.

Article 319-1. The surviving company or the new company to be incorporated and succeeding the business of the split company after the company split-up transaction shall, to the extent not exceeding the capital fund contributed by it in respect of the business succeeded by it, assume the

joint and several responsibility of discharging the liabilities incurred by the split company prior to the split-up transaction. However, the creditors' right to claim for the performance of the joint and several responsibility of discharging the foregoing liabilities shall become extinguished, if not exercised by the creditors within two year from the date of reference day of the company split-up transaction.

Article 320 (Deleted).

Article 321 (Deleted).

Section 12.Liquidation Subsection 1.Ordinary Liquidation

Article 322. In case of liquidation of a company, the directors shall become its liquidators, unless otherwise provided for in this Act or in the Articles of Incorporation or where other persons are appointed by a meeting of shareholders. If no liquidator can be determined pursuant to the aforesaid provisions, the court may appoint a liquidator upon the application of any interested person.

Article 323. A liquidator, with the exception of one appointed by the court, may be removed from office by a resolution adopted at a meeting of shareholders. The court may remove the liquidator upon the application of a supervisor or of shareholders who have been continuously holding more than three percent of the total number of issued shares for a period of one year or more. A liquidator, within the scope of his functions in liquidation, shall have the same rights and obligations as the directors, unless otherwise provided for in this section.

Article 325. The remuneration of a liquidator not appointed by the court shall be determined by a meeting of shareholders, and the remuneration of a liquidator appointed by the court shall be decided by the court.

Liquidation expenses and the remuneration of liquidators shall be immediately paid for from the available assets of the company.

Article 326. The liquidator shall, after having assumed office, examine the financial condition of the company, prepare the financial statements inventory of property, send them to the supervisors for examination, and shall, after such reports, financial statements and inventory of property have been ratified by the meeting of shareholders, submit the same to the court. The aforesaid statements and records of accounts shall be sent to the supervisors for examination no later than ten days before the date of the meeting of shareholders.

Persons who hinder, refuse or evade the examination conducted by the liquidators under the provisions of Paragraph I of this Article shall be severally subject to a fine not less than NT$ 20,000 but not more than NT$ 100,000.

Article 327. The liquidator after having assumed office, by means of public notice shall, at least three times, urge the creditors to declare their rights of claims within a period of three months, stating also that any creditor failing to declare his rights of claims within the period will not be included in the liquidation, unless the creditor is known to the liquidator, to each known creditor the liquidator shall notify respectively.

Article 328. The liquidator shall not effect performance in favor of any of the creditors during the period fixed for declaring their rights of claims as provided in the preceding article, unless the obligation is a secured one and approval has been obtained from the court for repayment.

To the aforesaid unpaid creditors, the company shall, notwithstanding the provisions of the preceding paragraph1, be liable in damages as may be caused by delay.

In case the assets of the company are apparently sufficient to pay its debts, the aforesaid creditors who may hold the company liable in damage may be first paid with the approval of the court.

Article 329. Creditors who have been excluded from the liquidation may demand performance out of the undivided residual assets of the company; however, this shall not apply where such residual assets have been distributed in accordance with Article 330 and a part of them or the whole has been taken.

Article 330. After the payment of debts, the residual assets shall be distributed among the shareholders in proportion to the number of their shares; however1, in the event that the company has issued special shares and it is otherwise provided for in the Articles of Incorporation, such provisions shall be followed.

Article 331. The liquidator shall, within fifteen days after completion of liquidation, prepare an income and expenditure statement, and a statement of profit and loss, and shall forward the same together with all statements and records of accounts to the supervisors for examination and subsequently submit them to the meeting of shareholders for its ratification.

The meeting of shareholders may appoint another inspector to examine whether the aforesaid statements and records of accounts are in order. After the statements and records of accounts have been ratified by the meeting of shareholders, they shall be deemed that the company has released the liquidators of their responsibility, except for the responsibility for any unlawful act which has done by the liquidators.

The income and expenditure statement and the statement of profit and loss referred to in Paragraph 1 shall be filed with the court within fifteen days after the approval thereof at the shareholders' meeting.

A liquidator who fails to complete the filing within the given time limit as set forth in the proceeding Paragraph shall be liable for a fine of not less than NT$ 10,000 but not more than NT$ 50,000.

Any person who hinders, refuses or evades the examination referred to in Paragraph II above shall be liable for a fine of not less than NT$ 20,000 but not more than NT$ 100,000.

Article 332. The company shall keep all statements, records of account and documents for a period of ten years from the date of filing a record with the court after the completion of liquidation, and the custodian thereof shall be appointed by the court upon application of the liquidator and other interested persons.

Article 333. If there are assets to be distributed after the completion of liquidation the court may, upon application of interested persons, appoint a liquidator to redistribute such assets.

Article 334. The provisions of Article 83 to 86, Article 87, Paragraph 3 and 4, Article 89 and Article 90 shall apply mutatis mutandis to liquidation of a company limited by shares.

Subsection 2.Special Liquidation

Article 335. Where circumstances exist which apparently impede the execution of liquidation, the court may, upon the application of any creditor or liquidator or shareholder or ex officio, order the company to institute a process of special liquidation. The same shall apply where there is suspicion that the liabilities of the company exceed assets; but in such a case, only the liquidators may file an application.

Provisions concerning the suspension of procedures of bankruptcy, composition and compulsory execution as specified in Article 294 shall apply mutatis mutandis to the special liquidation.

Article 336. The court may, prior to the order to institute a process of special liquidation upon the application of any of the persons specified in the preceding article or ex officio, first effect any of the dispositions mentioned in Article 339.

Article 337. Whenever any important reason exists, the court may remove a liquidator. In case of any vacancy among the liquidators or necessity to increase the number of liquidators, the court shall appoint a liquidator.

Article 338. The court may, at any time, order liquidators to report on the business of liquidation and on the state of the property, and may also make any investigation necessary for the supervision of the liquidation.

Article 339. Whenever the court deems necessary for the supervision of the liquidation, it may effect any of the dispositions mentioned in Article 354, Paragraph 1, Item 1, 2 or 6.

Article 340. The company shall discharge its obligations in proportion to the amount of creditors; however, this shall not apply to credits with preferential right of performance or right of exclusion in accordance with law.

Article 341. Whenever it is deemed necessary, the liquidators may, during the process of liquidation, convene a meeting of creditors.

Creditors having rights of claim representing not less than ten percent of the total amount of credits known to the company may request the liquidators to convene a meeting of creditors by filing a written application, stating therein the reasons for convening such a meeting.

The provisions of Article 173, Paragraph 2 shall apply mutatis mutandis to the circumstance specified in the aforesaid paragraph.

The rights of claim of creditors mentioned in the proviso to the preceding article shall not be included in the total amount of credits mentioned in Paragraph 2 hereof.

Article 342. The convener of the meeting of creditors may invite creditors with rights of claims mentioned in the preceding article, paragraph 4, to be present at the meeting of creditors to express opinions with no right to vote.

Article 343. The provisions of Article 172, Paragraph 2, 3 and 6; Article 176; Article 183; Article 298, Paragraph 2; and Article 123 of the Bankruptcy Law shall apply mutatis mutandis to special liquidation.

Article 344. The liquidators shall draw up a report on their investigation in the state of the company's business and property, a balance sheet and an inventory of the company, and bring up at the meeting of creditors and shall also state their opinion on the policy for carrying out the liquidation and pre-determined matters.

Article 345. The meeting of creditors may, by resolution, appoint a liquidation inspector and may remove him at any time.

The aforesaid resolution shall have the approval of the court. In doing any of the following acts, the liquidators shall obtain the consent of the liquidation inspector and, if the liquidation inspector does not give consent, they shall convene a meeting of creditors to resolve on the matters; however, this shall not apply if the value involved is not more than one-tenth of one per cent of the total value of assets:

1. Disposal of any property of the company;
2. Borrowing of money;
3. Bringing of an action;
4. Agreement to compromise or seek arbitration; or
5. Relinquishment of any right.

If, in a case where a resolution of a meeting of creditors is required, there exist urgent circumstances, the liquidators may, with the permission of the court, do any of the acts mentioned in the preceding paragraph.

Article 346. A liquidator who acts in contravention of the provisions of the preceding two paragraphs shall be jointly liable with the company to a bona fide third party. The provisions of the proviso to Article 84 paragraph 2 shall not apply to special liquidation.

Article 347. The liquidators may consult the opinion of the liquidation inspector and make a proposal for an agreement of settlement to the meeting of creditors.

Article 348. The terms of an agreement of settlement shall be equal among the creditors; however, this shall not apply to the rights of claim of creditors mentioned in the proviso to Article 340.

Article 349. When it is deemed necessary for the preparation of a draft for an agreement of settlement, the liquidators may request the creditors mentioned in the proviso to Article 340 to participate.

An agreement of settlement shall be adopted by the concurrence of the creditors holding three-fourths or more of the total amount of claims with rights to vote at a meeting attended by over one half of the creditors entitled to vote. The aforesaid resolution shall be approved by the court. The provisions of Article 136 of the Bankruptcy Law shall apply mutatis mutandis to the agreement of settlement mentioned in Paragraph 1.

Article 351. When it is necessary for carrying out an agreement of settlement, the terms of such agreement may be modified or altered, in which case, the provisions of the preceding four articles shall apply mutatis mutandis.

Article 352. When it is deemed necessary in view of the state of the company's property, the court may order inspection of the company's business and property upon the application of liquidators, the liquidation inspector, shareholders who have been holding three per cent or more of the total number of issued shares continuously for a period of six months or more, creditors who have filed an application for special liquidation, or creditors who have rights of claim representing not less than ten per cent of the total a mount of credits known to the company or of its own motion.

The provisions of Articles 285 shall apply mutatis mutandis to the circumstance mentioned in the preceding paragraph.

Article 353. The inspector shall report to the court the following matters in consequence of the inspection:

1. Whether there have been any incidents for which any promoter, director, supervisor, managerial officer or liquidator should be responsible under Article 34, Article 148, Article 155, Article 193 or Article 224;

2. Whether a measure to preserve the property of the company is necessary;

3. Whether it is necessary to employ a measure of preservation on the property of any promoter, director, supervisor, managerial officer or liquidator, for the exercise of any claim for damage by the company.

Article 354. When it is deemed necessary, the court may, on the basis of the report mentioned in the preceding article, effect any of the following dispositions:

1. Measures of preservation on the property of the company;
2. Prohibition against transfer of registered shares;
3. Prohibition against release of the responsibilities of any of the promoters, directors, supervisors, managerial officers or liquidators;
4. Annulment of the release of the responsibilities of any of the Promoters, directors, supervisors, managerial officers or liquidators; this, however, shall not apply to any release effected one year prior to the institution of the special liquidation other than for any illegal purpose;
5. Assessment of any claim for damages arising from the responsibilities of any of the promoters, directors, supervisors, managerial officers or liquidators; and
6. Measures of preservation on the property of any of the promoters, directors, managerial officers or liquidators on account of any claim for damages mentioned in the preceding item.

Article 355. If, in cases where an order for the institution of a process of special liquidation has been made, there is no prospect of reaching an agreement of settlement, the court shall ex officio make an adjudication of bankruptcy in accordance with the Bankruptcy Law. The same shall apply where there is no prospect of an agreement of settlement being duly carried out.

Article 356.The provisions pertaining to ordinary liquidation shall apply mutatis mutandis to matters in special liquidation if not provided for in this sub-section.

CHAPTER VI

Article 357 (Deleted).
Article 358 (Deleted).
Article 359 (Deleted).
Article 360 (Deleted).
Article 361 (Deleted).
Article 362 (Deleted).
Article 363 (Deleted).
Article 364 (Deleted).
Article 365 (Deleted).

Article 366 (Deleted).
Article 367 (Deleted).
Article 368 (Deleted).
Article 369 (Deleted).

CHAPTER VI-I AFFILIATED ENTERPRISES

Article 369-1. The term "affiliated enterprises" as used in this Act shall refer to enterprises which are independent in existence but are interrelated in either of the following relations:

1. Companies having controlling and subordinate relation between them; or
2. Companies having made investment in each other.

Article 369-2. A company which holds a majority of the total number of the outstanding voting shares or the total amount of the capital stock of another company is considered the controlling company, while the said another company is considered the subordinate company.

In addition to the relation set forth in the preceding Paragraph, if a company has a direct or indirect control over the management of the personnel, financial or business operation of another company, it is also considered the controlling company, and the said another company is considered the subordinate company.

Article 369-3. Under any of the following circumstances, it shall be concluded as the existence of the controlling and subordinate relation:

1. Where a majority of executive shareholders or directors in a company are contemporarily acting as executive shareholders or directors in another company; or
2. Where a majority of the total number of outstanding voting shares or the total amount of the capital stock of a company and another company are held by the same shareholders.

Article 369-4. In case a controlling company has caused its subsidiary company to conduct any business which is contrary to normal business practice or not profitable, but fails to pay an appropriate compensation upon the end of the fiscal year involved, and thus causing the subsidiary company to suffer damages, the controlling company shall be liable for such damages.

If the responsible person of the controlling company has caused the subsidiary company to conduct the business described in the preceding Paragraph, he/she shall be liable, jointly and severally, with the controlling company for such damages.

In the event the controlling company fails to make the indemnification as required in the preceding Paragraph, the subsidiary company's creditor, or the shareholder(s) who hold(s) one per cent(1%) or more of the total number

of the outstanding voting shares or of the total amount of the capital stock of the subsidiary company may exercise, in its (or his/their) own name, the rights of the subsidiary company as set forth in the preceding two Paragraphs to claim for the payment of the indemnity from the controlling company to the subsidiary company.

The right to exercise the claim under the preceding Paragraph shall not be prejudiced by a settlement entered into or a waiver made by the subsidiary company, if any, in respect of such right to claim for damages.

Article 369-5. In the event the business operation conducted by a subordinate company of a controlling company under the provisions of Paragraph I of the preceding Article has caused another subordinate company of the same controlling company to gain profit, then the benefited subordinate company shall, within the limit of the profit it has gained, be liable, jointly and severally with the controlling company, for the indemnification obligation set out in the preceding Paragraph.

Article 369-6. The right to claim for damages set out in the preceding two Articles shall be extinguished if not exercised within two years from the date when the claimant is aware of the existence of the indemnification obligation of the controlling company and the existence of indemnifier, or within five years from the date of occurrence of the indemnification liability of the controlling company.

Article 369-7. In case a controlling company has caused, directly or indirectly, its subordinate company to conduct any business which is contrary to normal business practice or not profitable, and if the controlling company has a claim upon said subordinate company, then the controlling company shall not claim for offsetting such claim against its indemnification liability, if any, to the subordinate company.

In case the subordinate company enters into bankruptcy or composition procedures in accordance with the provisions of the Bankruptcy Law, or enters into the process of reorganization or special liquidation of its company in accordance with the provisions of this Act, the claim set forth in the preceding Paragraph, with or without the right to exclusion or priority, shall be satisfied in the order second to all other obligatory claims of the subordinate company.

Article 369-8. In case a company holds one third or more of the total number of the voting shares or of the total amount of the capital stock of another company, a notice in writing shall be given to such another company within one month from the date of occurrence of such event.

In case any of the following changes is made afterwards in the particulars contained in the notice given by a company in accordance with the provisions of the preceding Paragraph, a further notice shall be given within five days from the date of occurrence of such change:

1. Where its holdings in the voting shares or in the equity capital of another company becomes less than one third of the total number of the voting sharesor the total amount of the capital stock of the said another company;

2. Where its holdings in the voting shares or in the equity capital of another company exceeds one half (1/2) of the total number of the voting shares of the total amount or the capital stock of the said another company; or

3. Where its holdings in the voting shares or in the equity capital of another company as described in the preceding Item has reduced again to a level below the total number of the voting shares or the total amount of the capital stock of the said another company.

The notified company shall, within five days after its receipt of the notice given under either of the preceding two Paragraphs, make a public notice stating therein the name of the notifying company and the number of shares held and the amount of capital contribution made by the notifying Company. In case the responsible person of a company failed to give a notice or to make a public notice as required in any of the three preceding Paragraphs, he/she shall be imposed with a fine in an amount of not less than NT$6,000 but not more than NT$30,000. In addition, the competent authority shall order the violator to give the notice or to make the public notice within a given time limit. If the violator further fails to do so after expiry of the given time limit, the competent authority may fix another time limit for the violator to complete the notification procedure, and may impose successively upon the violator a fine in an amount of not less than NT$9,000 but not more than NT$60,000 for each time of noncompliance by the violator until the notification requirement is duly complied with by the violator.

Article 369-9. Where a company and another company have made investment in each other's company to the extent that one third or more of the total number of the voting shares or the total amount of the capital stock of both companies are held or contributed by each other, these two companies are defined as mutual investment companies.

Where both mutual companies are holding one half or more of the total number of the voting shares or of the total amount of the equity capital of each other's company, or having direct or indirect control over the management of the personnel, financial of business operations of each other's company, they shall have the status of the controlling company as well as the subordinate company to each other's company.

Article 369-10. Subject to the condition that the fact of mutual investment is known to both mutual investment companies, the number of voting power exercisable by either investing company in the invested company shall not exceed one third of the total number of the outstanding

voting shares or one third of the total amount of the equity capital of the invested company provided, however, that the voting power associated with the dividend shares distributed from capitalization of surplus earnings or excess legal reserve shall still be exercisable.

In case a company has not received a similar notice from another company after having given a notice such another company in accordance with the provisions of Article 369-8 of this Act nor does it know the existence of mutual investment relation between them, then its right to exercise the voting power in the capacity of a shareholder of such another company shall be free from the restriction set forth in the preceding Paragraph.

Article 369-11. In calculating the number of shares or the amount of equity capital of another company being held by a company under this Chapter, the following shares or equity capital shall also be included into the calculation:

1. The shares or equity capital of another company being held by the subordinate company of companies of the investing company;
2. The shares or equity capital (of such another company) being held by a third party for the investing company; and
3. The shares or equity capital (of such another company) being held by a third party for any subordinate company of the investing company.

Article 369-12. A subsidiary company which publicly issues shares shall, at the end of each fiscal year, prepare and submit a report regarding the relationship between itself and its controlling company indicating therein the legal acts, funds flow and loss and profit status between the two companies.

The controlling company which publicly issues shares shall, at the end of each fiscal year, prepare for submission a consolidated business report and consolidated financial statements of the affiliated enterprises involved.

The rules for preparation of the reports and statements as required in the preceding two Paragraphs shall be prescribed by the authority in charge of securities affairs.

CHAPTER VII FOREIGN COMPANY

Article 370. The name of a foreign company shall be translated into Chinese and, in addition to the class to which it belongs, also indicate its nationality.

Article 371. A foreign company may not apply for recognition without making incorporation registration in its own country and conducting its business operation therein. A foreign company may not transact business within the territory of the Republic of China without obtaining a certificate of recognition from the government of the Republic of China and completing the procedure for branch office registration.

Article 372. A foreign company that shall appropriate funds exclusively for its operation of business in the Republic of China shall be subject to the minimum requirement as may be specified by the authority of its capital in respect of its business. A foreign company shall designate representative within the territory of the Republic of China to represent the company in all litigious and non-litigious matters and to serve as its responsible persons in the Republic of China.

Article 373. A foreign company shall not be recognized under any of the following circumstances:

1. If its objective or business is in contrary to the law, public order or good custom of the Republic of China; or

2. If any information or statement contained in the application documents filed by it is found false.

Article 374. A foreign company shall, after its recognition, keep a copy of its Articles of Incorporation in the office of its representative for litigious and non-litigious matters or branch office within the territory of the Republic of China. In case there are shareholders of unlimited liability, a roster of such shareholders shall also be kept.

Responsible persons of the company who fail to keep a copy of its Articles of Incorporation or the roster of shareholders of unlimited liability in violation of the aforesaid provision shall be severally subject to a fine of not less than NT$ 10,000 but not more than NT$ 50,000. Any further failure of the same nature shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000 for each successive failure.

Article 375. A foreign company, after having been given certificate of recognition, shall have the same rights and obligations and shall be subject to the same jurisdiction of the authority as a domestic company, unless otherwise provided by law.

Article 376 (Deleted).

Article 377. The provisions of Article 9, Article 10 and Article 12 to 25 shall apply mutatis mutandis to a foreign company.

Article 378. A foreign company which has received a certificate of recognition to transact business in the Republic of China and which desires to cease doing so, shall apply to the competent authority for withdrawal of the recognition; however it may not be exempted from any obligation and debt incurred by it prior to the filing of such application.

Article 379. In any of the following events, the authority shall revoke or nullify the certificate of recognition granted to a foreign company:

1. Any of the particulars set forth in filing an application for recognition or any of the documents attached thereto have been proved to be false;

2. The company has been dissolved;

3. The company has been declared bankrupt.

The aforesaid revocation or nullification of a certificate of company recognition under the preceding Paragraph shall in no way impair the rights of creditors and the obligations of the company.

Article 380. A foreign company which surrenders its certificate of recognition or has its certificate of recognition revoked or nullified, shall complete liquidation of its business within the territory of the Republic of China or right and obligation incurred by its branch office. Any outstanding obligation shall still be discharged by such foreign company.

The aforesaid liquidation shall be undertaken by the responsible person of the foreign company within the territory of the Republic of China or the managerial officer of its branch office. The provisions of this Act pertaining to the process of liquidation applicable to different classes of companies shall apply mutatis mutandis to such foreign companies according to their respective nature.

Article 381. The property of a foreign company within the territory of the Republic of China shall not be moved out of the territory of the Republic of China during the time of liquidation and shall not be disposed of except by the liquidator in the execution of the liquidation.

Article 382. The responsible person or managerial officer of a foreign company within the territory of the Republic of China who acts in contravention of the provisions of the two preceding articles shall be jointly liable with such foreign company in respect of the transactions done within the territory of the Republic of China or obligation contracted by its branch office.

Article 383 (Deleted).

Article 384. A foreign company, after having received its certificate of recognition, may be subject, whenever necessary, to examination of its books, records and documents relating to its business by the Authority.

Article 385. Prior to any replacement or departure of its representative as provided in Article 372, Paragraph 2, a foreign company shall designate another representative and file a report stating the name, nationality and domicile or residence of such representative with the authority for registration.

Article 386. A foreign company which, having no intention to sep up a branch office to transact business within the territory of the Republic of China, has not applied for recognition in the Republic of China, but designates a representative for the performance of juristic acts relating to its business in the territory of the Republic of China, shall file an application for recordation with the competent authority setting forth therein the following particulars:

1. The name, class of company, nationality and location of the company;

2. Its authorized capital and the date of its incorporation;

3. The business of the company and the juristic acts relating to its business to be done by its representative in the territory of the Republic of China; and 4.The name, nationality and domicile or residence of its designated litigious and non-litigious representative in the territory of the Republic of China. If the aforesaid representative shall, from time to time, be required to reside in the territory of the Republic of China, the company shall establish a representative's office and report its location in accordance with the aforesaid provisions.

The documents filed for recordation under the preceding two Paragraph shall be certified by the embassy/consulate, the representative office, business office of or any other institute authorized by the Ministry of Foreign Affairs and stationed at the locality where the competent authority of its own country or its representative conducts its/his business or legal acts or at the place where its representative's office is located.

A foreign company may not set up a representative's office within the territory of the Republic of China unless an application is filed for designation of the representative for record.

CHAPTER VIII REGISTRATION AND RECOGNITION OF COMPANIES

Section 1 .Application

Article 387. In applying for company registration or recognition, an application together with a complete set of the documents as required shall be filed with the central competent authority by the responsible person who represents the company for its approval. In the case the application is filed by an agent, a power of attorney shall be attached thereto.

Where there is a plural number of responsible person designated to represent the company, one of them may be authorized to file the application. The agent referred to in Paragraph I shall be limited to a certified public accountant o lawyer.

Regulations governing company registration and recognition procedure and the alteration thereof shall be prescribed by the central competent authority. The regulations to be prescribed under the preceding Paragraph include applicant, application documents, application procedure, deadline dates for

filing the application, and other relevant matters.

The responsible person of a company who fails to file the application beyond the appropriate deadline date specified in the regulations to be

prescribed under Paragraph IV hereinabove shall be imposed with a fine of not less than NT$ 10,000 but not more than NT$ 50,000.

Subject to the provisions set out in Paragraph IV hereinabove, the competent authority shall further order the responsible person to rectify his law violating act within a given time limit; and if he fails to take corrective action beyond the given time limit, he shall be imposed with a fine of not less than NT$ 20,000 but not more than NT$ 100,000 consecutively for each time of incompliance until the law violating act is rectified.

Article 388. In case any company registration application filed is held by the competent authority to be contrary to this Act or not in conformity with legal procedure, correction of errors shall be ordered, and the registration will not be made until such errors shall have been corrected.

Article 389 (Deleted).

Article 390 (Deleted).

Article 391. An applicant who is convinced after filing that there are errors or omissions in matters stated, may apply for rectification of the same.

Article 392. Upon an application by a company for certification of matters contained in its company registration file being kept by the competent authority, the competent authority may issue the certificate as requested.

Article 393. The responsible person of a company or any interested person may, with reasons stated, apply for an access to examine or for making copy of the contents of such company registration records or documents in file provided, however, that the authority may repudiate such application or may set up a limitation of the information or data to be copied by the applicant. The following particulars of company registration shall be made open to the public by the competent authority, and any person may apply to the competent authority for an access thereto or for making copy thereof:

1. The name of the company;
2. The scope of business of the company;
3. The location of the company;
4. The shareholder(s) executing the business operations or representing the company;
5. The name of directors and supervisors and their respective shareholdings in the company;
6. The name of the manager;
7. The amount of authorized capital stock or of the paid-in capital; and
8. The Articles of Incorporation of the company.

Any person may have the access to the information web site of the competent authority to examine the information enumerated in Items 1 through 7 of the preceding Paragraph.

Article 394 (Deleted).

Article 395 (Deleted).

Article 396 (Deleted).

Article 397. In case a company fails to file application for dissolution with the authority after it has been dissolved, the authority may, ex officio or at the request of any interested party, rescind its registration.

When executing the rescission of company registration under the preceding Paragraph, the competent authority shall, in addition to requiring, by an order or a ruling, the dissolution of the company, instruct the responsible person of the company to file a statement of objection, if may, within a period of thirty days. If no objection has been filed upon the lapse of the prescribed period or if the objection is found not well grounded, its registration shall be rescinded.

Article 398 (Deleted).

Article 399 (Deleted).

Article 400 (Deleted).

Article 401 (Deleted).

Article 402 (Deleted).

Article 403 (Deleted).

Article 404 (Deleted).

Article 405 (Deleted).

Article 406 (Deleted).

Article 407 (Deleted).

Article 408 (Deleted).

Article 409 (Deleted).

Article 410 (Deleted).

Article 411 (Deleted).

Article 412 (Deleted).

Article 413 (Deleted).

Article 414 (Deleted).

Article 415 (Deleted).

Article 416 (Deleted).

Article 417 (Deleted).

Article 418 (Deleted).

Article 419 (Deleted).

Article 420 (Deleted).

Article 421 (Deleted).

Article 422 (Deleted).

Article 423 (Deleted).

Article 424 (Deleted).
Article 425 (Deleted).
Article 426 (Deleted).
Article 427 (Deleted).
Article 428 (Deleted).
Article 429 (Deleted).
Article 430 (Deleted).
Article 431 (Deleted).
Article 432 (Deleted).
Article 433 (Deleted).
Article 434 (Deleted).
Article 435 (Deleted).
Article 436 (Deleted).
Article 437 (Deleted).

Section 2.Fees

Article 438. Upon approving the application filed by any person in accordance with this Act for pre-registration enquiry, registration, examination, or making copy of company name and scope of business, or requesting for certification of the company information registered, the competent authorities concerned shall charge the applicant an examination fee, registration fee, checking fee, copy fee, and/or certification fee in accordance with the appropriate charging rates to be fixed by the central competent authority.

Article 439 (Deleted).
Article 440 (Deleted).
Article 441 (Deleted).
Article 442 (Deleted).
Article 443 (Deleted).
Article 444 (Deleted).
Article 445 (Deleted).
Article 446 (Deleted).

CHAPTER IX SUPPLEMENTAL PROVISIONS

Article 447 (Deleted).

Article 448. In case of any refusal to pay the fines specified in this Act, the case shall be referred to compulsory execution in accordance with the law.

Article 449. This Act shall take effect from the date of promulgation thereof, except for the effect date of the Article 373 and Article 383 amended

on June 25, 1997 to be decided by the Executive Yuan, and the articles amended on May 5, 2009 to be in force on November 23, 2009.

FINANCIAL HOLDING COMPANY ACT
(金融控股公司法)

Amended Date 2014.06.04

Category Financial Supervisory Commission (**金融監督管理委員會**)

CHAPTER I: GENERAL PRINCIPLES

Article 1. This Act is enacted in order to increase the synergy of Financial Institutions (as defined below), to consolidate the supervision of cross-financial industry, to promote the sound development of financial markets, and to protect the public interest.

Article 2. The establishment, administration and supervision of Financial Holding Companies [as defined below] shall be governed by this Act; those matters not provided for in this Act shall be governed by the [relevant] provisions of other laws.

A Bank [as defined below] that is not organized as a company that seeks to carry out a [share] swap or spin off under this Act may do so under the Company Law provisions governing a company limited by shares.

Article 3. The term "Competent Authority" as used in this Act shall mean the Financial Supervisory Commission, Executive Yuan.

Article 4. The terms as used in this Act shall have the following meanings:

1. "Controlling interest" shall mean holding twenty-five percent (25%) or more of the outstanding voting shares or capital stock of a bank, insurance company or securities firm, or otherwise having the direct or indirect power to elect or designate the majority of the directors of a bank, insurance company or securities firm.

2. "Financial holding company" shall mean a company established in accordance with this Act and having a controlling interest in a bank, insurance company and/or securities firm.

3. "Financial institution" shall mean any of the following banks, insurance companies or securities firms:

a. "Bank" shall mean banks and bills finance companies as defined in the Banking Act and other entities designated by the Competent Authority;

b. "Insurance company" shall mean insurance enterprises established in accordance with the Insurance Law and organized as companies limited by shares; and

c. "Securities firm" shall mean securities firms engaging in securities underwriting, proprietary trade and brokering or securities finance companies engaging in the securities finance business.

4. "Subsidiaries" shall mean any of the following entities:

a. "Bank subsidiary" shall mean a bank in which the financial holding company has a controlling interest;

b. "Insurance subsidiary" shall mean an insurance company in which the financial holding company has a controlling interest;

c. "Securities subsidiary" shall mean a securities firm in which the financial holding company has a controlling interest; and

d. Any other entity in which the financial holding company holds more than fifty percent (50%) of its outstanding voting shares or capital stock, or otherwise has the direct or indirect power to elect or designate the majority of its directors.

5. "Converted" shall mean transfer of business operation or swap of shares.

6. "Foreign financial holding company" shall mean a company established under foreign law which has a controlling interest in a bank, insurance company, and/or securities firm.

7. "Same person" shall mean the same natural or juridical person.

8. "Same concerned person" shall mean persons related to the same natural or juridical person.

9. "Affiliate" shall mean an enterprise to which Articles 369-1 through 369-3, Article 369-9 and Article 369-11 of the Company Law apply.

10. "Major shareholder" shall mean a natural or juridical person holding five percent (5%) or more of the outstanding voting shares or capital stock of a financial holding company or any of its subsidiaries; if the major shareholder is a natural person, the number of shares held by his/her spouse and children under twenty years of age shall be aggregated into the principal's share holding.

Persons related to the same natural person referred to in Subparagraph 8 of the preceding paragraph include:

(1) The principal, his/her spouse and relatives by blood within the second degree of kinship.

(2) An enterprise in which the persons referred to in the preceding subparagraph hold more than one third (1/3) of its outstanding voting shares or more than one third of its capital stock.

(3) An enterprise or a foundation in which the persons referred to in Subparagraph (1) hereof act as its chairman, president or directors representing the majority of directors.

Persons related to the same juridical person referred to in Subparagraph 8 of the preceding paragraph include:

(1) The same juridical person and its chairman and president as well as the spouse and relatives by blood within second degree of kinship of the chairman and president.

(2) Enterprises in which the same juridical person and natural persons referred to in the preceding subparagraph hold more than one third (1/3) of their outstanding voting shares or capital stock, or enterprises or foundations in which the same juridical person and natural persons referred to in the preceding subparagraph act as their chairman, president or directors representing the majority of directors.

(3) The affiliates of the same juridical person.

Article 5. In determining the number of shares or the amount of capital of a financial holding company, bank, insurance company or securities firm held by the same person or same concerned person, the following shares or capital shall be excluded

1. Shares acquired by a securities firm during the underwriting period of the securities and disposed of during the period prescribed by the Competent Authority.

2. Shares acquired by a financial institution under a collateral pledge or security agreement and four years have not elapsed since the date of acquisition.

3. Shares acquired by inheritance or bequest and two years have not elapsed since the date of inheritance or bequest.

Article 6. A Same Person or Same Affiliated Person who has a Controlling Interest in a Bank, Insurance Company and/or Securities House shall apply to the FSC for approval for the establishment of a Financial Holding Company. Such requirement shall not apply to shares owned by the governments and to shares owned with the FSC approval for purposes of managing a troubled financial institution. If the Same Person or Same Affiliated Person referred to in the preceding paragraph does not concurrently hold shares or capital of a company from any two of the banking, insurance and securities industry, or, the aggregate amount of assets of the Bank, Insurance Company or Securities House in which such Same Person or Same Affiliated Person has a Controlling Interest does not exceed a Certain Amount, such Same Person or Same Affiliated Person need not establish a Financial Holding Company. The term "Certain Amount" as used in the preceding paragraph shall be as prescribed by the FSC.

Article 7. Where a Same Affiliated Person applies to the FSC for approval to establish a Financial Holding Company as referred to in the preceding Article, the Same Affiliated Person who makes the largest total investment in each Financial Institutions shall be the representative applicant for the other [Same Affiliated persons] to jointly establish a Financial Holding Company. If [unrelated] Same Affiliated persons each respectively hold outstanding voting-right-shares or capital of a Bank, Insurance Company or Securities House more than twenty-five percent (25%), the Same Affiliated Person who makes the largest total investment [in the

Financial Holding Company] shall be the applicant to apply to establish a Financial Holding Company. If, with regard to investors referred to in the preceding paragraph, two (2) or more than two persons make a total investment of the same amount, such persons shall report same to the FSC and the FSC shall designate one (1) of these persons as the applicant to establish a Financial Holding Company.

Article 8. To establish a Financial Holding Company, [the person or company] shall submit an application which includes the following items to the FSC for approval:

1. Name of the Financial Holding Company;
2. Articles of Incorporation;
3. Capital amount;
4. Address where the Financial Holding Company and its Subsidiaries will be located;
5. Business type, name and percentage of the share-holding of each Subsidiary;
6. Operation, finance and investment plans;
7. Evidence of the qualifications of the designated president; senior executive vice president and executive vice president.
8. Documents and business proposals for handling the relevant business or share transfers. The proposals should include important matters with regard to the protection of customer and creditor rights and the handling of the rights and interests of the employees;
9. Evidence of the qualifications of the promoters if the Financial Holding Company is newly established; and
10. Other documents as prescribed by the FSC.

Subparagraph 9 of the preceding paragraph shall not apply to financial institutions which are to be merged into a financial holding company or are to become a subsidiary of a financial holding company.

Article 9. The FSC shall consider the following when [deciding whether or not to] approve an application for establishing a financial holding company pursuant to the preceding Article:

1. The soundness of the financial and operational status and management capacity;
2. Capital adequacy; and
3. The impact on the competitive situation in the financial market and on the public interest.

If the establishment of a Financial Holding Company constitutes a combination of enterprises under Article 6 of the Fair Trade Law, the FSC approval shall be subject to the approval of the Fair Trade Commission ("FTC"). The examination criteria for the FTC approval shall be prescribed by the FTC, in consultation with the FSC.

Article 10. A Financial Holding Company may only be established in the form of a company limited by shares. Unless otherwise approved by the FSC, the shares of a Financial Holding Company shall be publicly offered.

Article 11. The words "Financial Holding Company" must be included in the name of a Financial Holding Company.

The term "financial holding company" may not be used [in the company name] of any entity other than by a Financial Holding Company, nor may other names [/words] be used that could mislead others into believing that such entity is a Financial Holding Company.

Article 12. The FSC shall prescribe the minimum paid-in capital of a Financial Holding Company.

Article 13. A Financial Holding Company that has received establishment approval from the FSC shall, after completing its company registration, apply to the FSC to issue a business license. For a Financial Institution that is converting into a Financial Holding Company, the calculation of the license fee for the issuance of a business license shall be based on the net increase in capital after such conversion.

Article 14. If, after establishment, a Financial Holding Company seeks to amend any of the items listed in Article 8, Paragraph 1, Subparagraphs (1) through (4) of this Act, such Financial Holding Company shall report same to the FSC for approval, amend its company registration and apply for the issuance of a new business license.

Article 15. A Financial Holding Company may hold all the outstanding shares or paid-in capital of its Subsidiary(ies), and the provisions of Article 2, Paragraph 1, Subparagraph (4), and Article 128, Paragraph 1 ,of the Company Law with respect to the number of shareholders and promoters of a company limited by shares shall not apply. The rights and functions of the shareholders' meeting(s) of such Subsidiary(ies) shall be exercised by the board of directors [of the Subsidiary], and the provisions of the Company Law with respect to shareholder meetings shall not apply.

The directors and supervisors of the Subsidiary referred to in the preceding paragraph shall be appointed by the Financial Holding Company. Directors and supervisors of the Financial Holding Company may concurrently hold a [director/supervisor] position in the Subsidiary(ies) as referred to in Paragraph

Article 16. When a financial institution is converted into a financial holding company, a same person or same concerned person who singly, jointly or collectively holds more than ten percent (10%) of the financial holding company's outstanding voting shares shall report such fact to the Competent Authority. After a financial holding company has been established, a same person or same concerned person who singly, jointly or collectively holds more than five percent (5%) of the financial holding

company's outstanding voting shares shall report such fact to the Competent Authority within ten (10) days from the day of holding; the preceding provision applies to each cumulative increase or decrease in the shares of the same person or same concerned person by more than one percent (1%) thereafter.

After a financial holding company has been established, a same person or same concerned person who intends to singly, jointly or collectively acquire more than ten percent (10%), twenty-five percent (25%) or fifty percent (50%) of the financial holding company's outstanding voting shares shall apply for prior approval of the Competent Authority.

A third party who holds shares of a financial holding company on behalf of the same person or same concerned person in trust, by mandate or through other types of contract, agreement or authorization shall fall within the purview of the same concerned person.

The regulations governing the qualifications and requirements for the same person or same concerned person who applies for approval pursuant to Paragraph 3 hereof, required documentation, shares to be acquired, purpose of acquisition, sources of funding, state of pledging of shares held, existing shareholding, and the reporting and announcement of changes in other important events, and other matters to be complied with shall be prescribed by the Competent Authority.

The same person or same concerned person who holds more than ten percent (10%) of the outstanding voting shares of a financial holding company shall not pledge his or her shares to a subsidiary of the financial holding company. The preceding provision does not apply to shares of a financial holding company already pledged to a financial institution before the financial institution was converted into its subsidiary, provided the original pledge continues to be in effect.

If a same person or same concerned person referred to in Paragraph 1 hereof does not meet the qualifications or requirements stipulated in the regulations as referred to in Paragraph 5 hereof, the same person or concerned person may continue to hold shares of such companies, but may not increase his or her shareholding.

The application referred to in Paragraph 3 hereof shall be deemed approved if the Competent Authority does not object thereto within fifteen (15) business days from the next day following the receipt of such application. The same person or same concerned person who singly, jointly or collectively holds more than five percent (5%) but less than ten percent (10%) of a financial holding company's outstanding voting shares prior to the implementation of the amendment to the Act on December 30, 2008 shall report such fact to the Competent Authority within six (6) months from the implementation date of the said amendment.

Where the same person or same concerned person who holds voting shares issued by a financial holding company without filing a report with the Competent Authority or obtaining approval from the Competent Authority in accordance with the provisions set forth in Paragraphs 2 or 3, the excess shares held by such same person or same concerned person shall not have voting rights and shall be disposed of within the given period prescribed by the Competent Authority.

Article 17. The guidelines with respect to the qualifications of the promoters and responsible persons of a financial holding company, the restrictions on concurrent posts held by the responsible persons and other matters to be complied with shall be prescribed by the Competent Authority. A person not meeting the qualifications set forth in the guidelines referred to in the preceding paragraph shall not act as the responsible person of a financial holding company; any such person who currently acts as the responsible person of a financial holding company shall be ipso facto discharged. The responsible person of a financial holding company who concurrently holds a position in a subsidiary of the financial holding company owing to an investment relationship, or the responsible person of a subsidiary of a financial holding company who meets the qualifications set forth by the Competent Authority to concurrently hold a position in another subsidiary of the financial holding company is not subject to the restrictions set out in the front section of Paragraph 3, Article 11 of Act Governing Bill Finance Business. The responsible person or any employee of a financial holding company shall not accept, under any pretense, commissions, rebates and other unwarranted benefits from a transaction counterparty or a customer of the financial holding company or its subsidiaries.

Article 18. With FSC approval, a Financial Holding Company may merge with the following companies, transfer its entire assets and liabilities to the following companies, or assume the entire assets and liabilities of the following companies (and Article 6, Article 8, Article 9 and Articles 16 to 18 of the Financial Institutions Merger Law shall apply mutatis mutandis):

1. Financial Holding Companies;
2. Existing companies that have a Controlling Interest as defined in Article 4, Paragraph 1, Subparagraph 1 of this Act, and meet the requirements of Article 9, Paragraph 1, of this Act.

If the business scope of the existing company, as referred to in Subparagraph 2 of the proceeding paragraph, exceeds the scope of Articles 36 and 37 of this Act, the FSC shall, at the time of approval, require such company to make an adjustment within a prescribed period of time.

Article 19. If the Financial Holding company, or the Bank Subsidiary, Insurance Subsidiary, or Securities Subsidiary of a Financial Holding Company, due to adverse changes in its financial or business conditions, fails

to pay its obligations when due, or after [appropriate] adjustments has a negative net worth, and the FSC determines that immediate measures are necessary and that such measures will not have any material adverse effect on competition in the financial market, Article 11 of the Fair Trade Law shall not apply and an application to the Fair Trade Commission will not be required in order for a Financial Holding Company to:

1. Merge with any company referred to in Paragraph 1, Subparagraph 1 or Subparagraph 2 of the proceeding Article, or transfer all of its rights and obligations to any said company or assume all the rights and obligations of any said company;
2. Permit a Same Person or Same Concerned Person to hold shares representing more than one-third (1/3) of its voting rights; and
3. Be established as a result of a Transfer from a Financial Institution.

Article 20. A Financial Holding Company, upon the resolution of a dissolution by a shareholders' meeting, shall file a dissolution application to the FSC for approval, stating therein the reason for such dissolution, and enclosing therein the minutes of said shareholders'meeting, a plan for the settlement of liabilities, the plan and the deadline by which its Subsidiary(ies) or its invested enterprise(s) will be disposed of. Upon the FSC approval, the subject liquidation may proceed in accordance with the [relevant] provisions of the Company Law.

If a Financial Holding Company proceeds special liquidation, for supervision purposes, the court [overseeing such special liquidation] shall consult with the FSC and consider the FSC's comments with regard to such special liquidation. When necessary, the court may request the FSC to recommend a liquidator or to appoint a person to assist the liquidator in carrying out his/her functions. After a Financial Holding Company has commenced liquidation, no capital or dividends may be distributed under any circumstance until all of the Financial Holding Company's debts have been settled.

Article 21. If, after it has received the FSC establishment approval, a Financial Holding Company ceases having a Controlling Interest, as defined in Article 4, Paragraph 1, of this Act, in a Bank Subsidiary, Insurance Subsidiary, or Securities Subsidiary, the FSC shall request such Financial Holding Company to take corrective measures within a prescribed period of time. If the Financial Holding Company fails to remedy the matter, its establishment approval shall be revoked.

Article 22. If the FSC approves the dissolution of a Financial Holding Company, or revokes the establishment approval of a Financial Holding Company, such Financial Holding Company shall surrender its business license within a prescribed period of time for cancellation. Such Financial

Holding Company shall not use "Financial Holding Company" in its name anymore, and shall amend its company registration accordingly.

If a Financial Holding Company referred to in the preceding paragraph fails to surrender its business license within the prescribed period of time, the FSC shall cancel the business license by public announcement.

Article 23. If a Foreign Financial Holding Company meets the following requirements and obtains FSC's approval, it may be exempted from establishing a new Financial Holding Company in the Republic of China ("R.O.C.") [In order to own a Controlling Interest in a Bank, Insurance Company and/or Securities House]:

1. [If the Foreign Financial Holding Company] has fulfilled the requirements under Article 9, Paragraph 1, for the establishment of a Financial Holding Company;
2. [If the Foreign Financial Holding Company] has sufficient experience in operating and managing a Financial Holding Company and has excellent credit;
3. The competent financial regulatory authority in such Foreign Financial Holding Company's home country has approved such Foreign Financial Holding Company investment in the R.O.C. by possessing Subsidiaries and agreed to cooperate with the R.O.C. government in sharing the responsibility to supervise such Foreign Financial Holding Companies' activities on a consolidated basis.
4. The competent financial regulatory authority in such Foreign Financial Holding Company's home country and such Foreign Financial Holding Company's head office have the capacity to supervise the relevant Subsidiaries in the R.O.C. on a consolidated basis; and
5. The head office of such Foreign Financial Holding Company has appointed an agent for litigious and non-litigious matters in the R.O.C.

The preceding paragraph also applies to foreign financial institutions which are "universal banks" in their home countries.

CHAPTER II: TRANSFORMATION AND SPIN-OFFS

Article 24. With the approval of the FSC, a Financial Institution may transform itself into a Financial Holding Company by means of a "Transfer of Business." The term "Transfer of Business" as used in the proceeding paragraph, shall mean, upon the resolution of a shareholders' meeting, the sale by a Financial Institution of an entire business and its major assets and debts to another company, with the price being paid in acquiring newly issued shares of the company equal to the net book value of such assets and liabilities of the Financial Institution followed by a transformation of the Financial Institution into a Financial Holding Company at the time such shares are acquired and simultaneous transformation of the company into a

Subsidiary [of the Financial Holding Company]. The following shall apply to such transformation:

1. Articles 185 through 188 of the Company Law shall apply mutates mutandis to the procedures by which a resolution of a shareholders' meeting is adopted, to the rights of minority shareholders to require the company to buy back all of such shareholders' shares, the price paid for such buy-back and [circumstances in which] such rights are lost;

2. Article 156, Paragraphs 2 and 6, Article 163, Paragraph 2, Article 267, Paragraphs 1 to 3, and Article 272, of the Company Law, and Article 22-1, Paragraph 1, of the Securities and Exchange Act, shall not apply; and

3. The notification of assignment of rights may be done through a public announcement; the company, when assuming liabilities, need not obtain the consent of its creditors; and Articles 297 and 301 of the Civil Code shall not apply.

If the other company [i.e., the asset acquiring company] is a newly established company, the shareholders' meeting of the Financial Institution shall be deemed the required promoters' meeting of such company; directors and supervisors of such other company may be elected at such shareholders' meeting; and articles 128 to 139, and Articles 141 to 155, of the Company Law shall not apply. The preceding paragraph shall also apply to shareholders' meetings held by a Financial Institution before this Act came into effect. At the time [the above mentioned] other company is transformed into a Subsidiary of a Financial Holding Company, each competent authority in charge of the particular enterprise may directly issue the Subsidiary's business license and the provisions of the Banking Act, the Insurance Law, and the Securities and Exchange Act with respect to the establishment of a Bank, Insurance Company and Securities House shall not apply. If the shares bought back by a Financial Institution in accordance with Paragraph 2, Subparagraph 1, of this Article are not sold within six (6) months, the Financial Institution may, with the concurrence of more than one-half (1/2) of all of such Financial Institution's directors present at a meeting attended by at least two-thirds (2/3) of its directors, amend its articles of incorporation and cancel the registration of such shares. In such case, the restrictions of Article 277 of the Company Law shall not apply.

Article 25. In conducting a transfer of business pursuant to the proceeding Article, if the referenced other company is an existing company, the Financial Institution shall enter into a transfer contract approved by the board of directors of such other company; if the referenced other company is a newly established company, the board of directors of the Financial Institution shall adopt a resolution authorizing the transfer. Such contract or resolution shall be presented at a shareholders' meeting [of such Financial Institution]. The transfer contract or resolution for transfer referred to in the

preceding paragraph shall include the following items and be sent to all shareholders together with the notice of the relevant shareholders' meeting and Article 172, the proviso to Paragraph 4, of the Company Law shall apply, mutatis mutandis:

1. The required amendment to the articles of incorporation of the existing company or the articles of incorporation of the newly established company;
2. The total number of shares, types of shares and number of shares to be newly issued by the existing company or issued by the newly established company;
3. The business and the type and quantity of major assets and liabilities to be transferred by the Financial Institution to the existing company or newly established company;
4. Provisions for payment of cash in lieu of issuing partial shares;
5. The scheduled date of the shareholders' meeting;
6. The date fixed for the transfer of the business;
7. The limit on the amount of dividend distributions prior to the date fixed for the transfer of the business by the Financial Institution;
8. In the case of a transfer contract, matters related to the continuing performance of duties of the incumbent directors and supervisors of the Financial Institution until the expiration of the term of the said directors and supervisors (where such terms expire after the transfer date) and, in the case of a resolution for transfer, the names of the directors and supervisors of the newly established company; and
9. If the Financial Institution and other Financial Institutions jointly transfer their businesses to establish a Financial Holding Company, a resolution for transfer shall specify the matters related to such joint transfer.

Article 26. After obtaining FSC approval, a Financial Institution may be transformed into a Subsidiary of a Financial Holding Company by transfer of shares. The term "transfer of shares" referred to in the preceding paragraph shall mean transfer, upon the resolution of a shareholders' meeting, of all outstanding shares of the Financial Institution to a Financial Holding Company to be established, as payment for newly issued shares of the Financial Holding Company or shares originally subscribed by the shareholders of the original Financial Institution.

The following shall apply:

1. The adoption of the resolution at a shareholders' meeting shall require the concurrence of shareholders representing more than one half of all shares held by such Financial Institution's shareholders present at a meeting attended by shareholders representing at least two-thirds of all outstanding shares. The above shall also apply if the Financial Holding Company to be established is an existing company;

2. Article 317, Paragraph 1 and Paragraph 2 of the Company Law shall apply, mutatis mutandis, to the right of buying back shares of shareholders who object to request the company to buy back their shares; and

3. Article 156, Paragraph 1, Paragraph 2 and Paragraph 6, Article 163, Paragraph 2, Article 197, Paragraph 1, Article 227, Article 267, Paragraph 1 through 3 and Article 272 of the Company Law and Article 22-1, Paragraph 1, Article 22-2 and Article 26 of the Securities Exchange Law shall not apply.

If the relevant other company is a newly established company, the shareholders' meeting of the Financial institution shall be deemed the promoters' meeting of the Financial Holding Company to be established. Directors and supervisors of such Financial Holding Company may also be elected at such shareholders' meeting and articles 128 through 139, Articles 141 through 155 and Article 163, Paragraph 2, of the Company Law shall not apply.

The preceding paragraph shall also apply to a shareholders' meeting which has been convened by a Financial Institution prior to this Act becoming effective.

If the shareholders' meeting is a shareholders meeting of a public company and the shareholders attending such shareholders' meeting represent less than the minimum number of shares prescribed in Paragraph 2, Subparagraph 1 of this Article, the resolution may be adopted by the concurrence of shareholders representing at least two-thirds of all shares present at the meeting attended by shareholders representing more than one half of the total outstanding shares.

However, where stricter criteria are specified in the articles of incorporation of such company, the stricter criteria shall apply. If, after a Financial Holding Company has been established with FSC approval, the aggregate number of shares held by its directors or supervisor(s) at the time of election is less than the percentage required to be held by the directors or supervisors as prescribed by the Securities and Futures Commission in accordance with Article 26, Paragraph 2, of the Securities and Exchange Act, the directors or supervisor(s) shall collectively make up the deficiency within one (1) month after taking office.

If a Financial Institution does not re-sell the shares it buys back in accordance with Paragraph 2, Subparagraph 2 of this Article, within six (6) months after the date of buy-back, it may, with the concurrence of more than one half of directors present at a meeting attended by at least two-thirds of all directors, amend its articles of incorporation and cancel the registration of the [unsold] shares and article 277 of the Company Law shall not apply.

Article 27. In conducting a exchange of shares with other company pursuant to the preceding Article, if such other company to be converted into

a Financial Holding Company is an existing company, the Financial Institution shall enter into a transfer contract approved by the board of directors of such existing other company; if a Financial Holding Company is to be newly established, the board of directors of such Financial Institution shall adopt a resolution authorizing the transfer. Such transfer contract or resolution shall be presented at the shareholders' meeting [of such Financial Institution]. The transfer contract or resolution for transfer referred to in the preceding paragraph shall include the following items, and be sent to all shareholders together with the notice of the relevant shareholders' meeting and Article 172, the proviso to Paragraph 4, of the Company Law shall apply, mutatis mutandis:

1. The required amendment to the articles of incorporation of the existing company or the articles of incorporation of the newly established company;
2. The total number of shares, type of shares and number of shares to be newly issued by the existing company or issued by the newly established company;
3. The total number of shares, type of shares and quantity of shares to be transferred by the shareholders of the Financial Institution to the existing company or the newly established company;
4. Provisions for payment of cash in lieu of issuing partial shares to the Financial Institution;
5. The scheduled date of the shareholders' meeting;
6. The date fixed for the transfer of shares;
7. The limit on the amount of dividend distributions prior to the date fixed for the transfer of shares by the Financial Institution;
8. In the case of a transfer contract, matters related to the continuing performance of duties of the incumbent directors and supervisors of the Financial Institution until the expiration of the term of the said directors and supervisors (where such terms expires after the transfer date) and, in the case of a resolution for transfer, the names of the directors and supervisors of the newly established company; and
9. If the shareholders of a Financial Institution and other Financial Institutions jointly transfer their shares to establish a Financial Holding Company, a resolution for transfer shall specify the matters related to such joint transfer.

Article 28. After being approved by the FSC to transform into a Financial Holding Company or a Subsidiary of a Financial Holding Company, a Financial Institution shall comply with the following provisions:

1. Amendments of the registration of real estate, other properties requiring registration, mortgages, pledges, liens and intellectual property

rights are allowed and no registration fee shall be required so long as a certificate from the FSC is provided.

The establishment registration fee for company registration shall be calculated based on the net increase in capital after transformation;

2. When land directly used by the Financial Institution is to be transferred, the registration of transfer of ownership of such land shall be done after the current value of such land has been determined in accordance with the Land Tax Law. The land value increment tax payable on such transfer may be accrued and deferred until the next transfer of such land by the transferee company.

If the transferee company becomes bankrupt or is dissolved, the accrued land value increment tax shall have priority [over general creditors];

1. The stamp tax, deed tax, income tax and securities transfer tax arising from transfer of business shall not be levied; and

2. The income tax and securities transfer tax arising from transfer of shares shall not be levied.

Article 29. When a Financial Institution transforms into a Financial Holding Company, all shares shall be transferred.

If a Financial Institution that transforms into a Financial Holding Company as referred to in the preceding paragraph is a company which shares are listed on the Taiwan Stock Exchange or R.O.C.

Over-the-Counter Securities Exchange, its shares shall be de-listed on the date fixed for transfer of shares and the shares of the Financial Holding Company shall be listed thereon instead.

After a Financial Institution transforms into a Financial Holding Company, in addition to the requirement that directors and supervisors must comply with Article 26, Paragraph 6, of this Act, the Financial Holding Company shall also comply with the relevant provisions of the Securities and Exchange Act and the Company Law.

After completing the transfer in accordance with this Act, the Bank Subsidiary, Insurance Subsidiary or Securities Subsidiary of the Financial Holding Company which is originally a public company shall, unless otherwise provided in this Act, comply with the provisions related to public issuing under the Securities and Exchange Act mutatis mutandis. Article 30

Where a financial holding company issues new shares for the business of its subsidiary, the employees of such subsidiary may subscribe the shares of the financial holding company, and in which case Paragraphs 1, 2, 4, 5 and 6 of Article 267 of the Company Law shall apply mutatis mutandis. Where a financial holding company holds all outstanding shares or capital stock of a subsidiary, such subsidiary is not subject to the restrictions set out in Paragraph 1, Article 267 of Company Law when it issues new shares.

Article 31. Articles 24 through 28 of this Act shall apply, mutatis mutandis, to the adjustment of the organization or shareholding structure of an investee enterprise when a Financial Institution transforms into a Financial Holding Company and such investee enterprise becomes an investee enterprise of the Financial Holding Company.

Persons holding the shares of a Financial Holding Company as a result of a transformation done in accordance with the preceding paragraph (i) may transfer their shares within three (3) years to the staff of the Financial Holding Company or the Financial Holding Company's Subsidiary(ies), (ii) may transfer the shares in accordance with the rights granted by Article 28-2, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act, or (iii) may sell such shares on a stock exchange or over-the-counter market in exemption from the restrictions under Article 38 of the Act. Shares that are not timely transferred or sold within three (3) years shall be treated as unissued shares of the Financial Holding Company and re-registered accordingly as such. During the share transfer process of a Financial Institution, if the new Financial Holding Company has been designated as the surviving company, then the two preceding paragraphs shall apply mutatis mutandis to the investee enterprises of the existing company.

With the exceptions of earnings distribution, legal earnings reserve, or capital reserves being reallocated as capital, the shares of a Financial Holding Company acquired by Financial Institutions b y means of the preceding three paragraphs may not be entitled to other shareholder rights.

Article 32. Where the Subsidiary of a Financial Holding Company acquires or merges with a company in which such Subsidiary holds more than ninety percent (90%) of the outstanding shares and such Subsidiary is the surviving entity, an acquisition or merger agreement shall be drafted and then approved by the concurrence of more than one-half (1/2) of all of the directors present at the meeting of board of directors of each company at which more than two-thirds (2/3) of all directors of each company, respectively, are present and Article 316 of the Company Law requiring resolutions of a shareholders meeting shall not apply.

Following adoption [by the boards of directors] of the resolution described in the preceding paragraph, each board of directors shall, within ten (10) days of such approval, make a public announcement of the contents of the resolution and the items to be specified in the acquisition or merger agreement, and designate a period of at least thirty (30) days during which shareholders may express their dissent thereto.

Dissenting shareholders may, upon request made in writing within twenty (20) days from the expiry of the above dissent period, stating therein the type and number of shares, request the respective companies to buy back t heir shares at the prevailing fair [market] value.

Article 187, Paragraph 2 and 3 and Article 1 88 of the Company Law shall apply, mutatis mutandis, to the determination of the share price by such dissenting shareholders and the relevant company and to the consequences of the loss of the right to request such a share buy back.

Article 33. Upon the resolution of a shareholders' meeting, a Subsidiary of a Financial Holding Company may sell part of its business and assets to an existing company or a newly established company with the price being paid in newly issued shares of such existing company or newly established company, as applicable, to which the Subsidiary or its shareholders subscribe (a "Spin-Off Company"), and the following shall apply to such a transaction: 1 .Where the Spin-Off Company subscribes with the price being paid in the newly issued shares by using the specific part of its businesses or assets, Article 272 of the Company Law shall not apply; and 2.Following the adoption [by the boards of directors] of the resolution approving such spin-off, each board of directors shall, within ten (10) days of such approval, make a public announcement of the contents of the resolution, and designate a period of at least thirty (30) days in which dissenters may express their dissent thereto. If the Spin-Off Company fails to make such announcement or fails to provide security to [secure the credit of] such dissenting creditors within the designated period of time, the Spin-Off Company may not use the spin-off as a defense against such creditors. If the other company [in such transaction] is a newly established company, the shareholders' meeting of the spin-off company shall be deemed the promoters' meeting of such newly established Company.

Articles 185 through 188 of the Company Law shall apply, mutates mutandis, to the transfer of the primary business or properties under the spin-off described in Paragraph 1 [of this Article].

Article 34. In conducting a spin-off with an other Subsidiary pursuant to the proceeding Article, if such other Subsidiary is an existing company, the Spin-Off Company shall enter into a spin-off agreement approved by the board of directors of such other Subsidiary and, if such other Subsidiary is a newly established company, the board of directors of the Spin-Off Company shall adopt a resolution authorizing the spin-off. Such agreement and resolution, as applicable, shall be presented at a shareholders' meeting [of such Spin-Off Company].

The spin-off agreement and resolution approving such spin-off referred to in the preceding paragraph shall include the following items and be sent to all shareholders together with notice of the relevant shareholders' meeting:

1. The required amendments to the articles of incorporation of the existing company that is taking over the business, or the articles of incorporation of the newly established company that is taking over the business;

2. The total number of shares, types of shares and number of shares to be newly issued by the existing company that is taking over the business or issued by the newly established company that is taking over the business;

3. The total number, type and quantity of the shares acquired by the Spin-Off Company or its shareholders;

4. Provisions for payment of cash in lieu of issuing partial shares to the Spin-Off Company or its shareholders;

5. Matters with regard to the assumption of rights and liabilities of the Spin-Off Company;

6. Matters with regard to the protection of creditors and customers of the Spin-Off Company and the handling of the rights and interests of the employees of the Spin-Off Company;

7. Matters with regard to the reduction in capital if the Spin-Off Company's capital will decrease;

8. Matters with regard to the cancellation or consolidation of shares if there is a cancellation or consolidation of the shares of the Spin-Off Company;

9. The date fixed for the spin-off;

10. The limit on the amount of dividend distributions prior to the date fixed for the spin-off by the Spin-Off Company;

11. The names of the directors and supervisors of the newly established company that is taking over the business; and

12. If more than two Subsidiaries jointly engage in a spin-off to establish a new company, a resolution for such spin-off describing matters with regard to such a joint spin-off.

Article 35. Except that the obligations arising from the activities of the spin-off business shall be separate from the obligations of the company before the spin-off, the company that is taking over the business after the spin-off shall be jointly and severally liable for the obligations of the company before the spin-off up to the value of the property of the business it takes over; provided, that, any claim of joint and several liability [under this section] shall lapse if it is not exercised within two (2) years after the date of spin-off.

CHAPTER III: BUSINESS AND FINANCE

Article 36. A financial holding company shall ensure the sound management of the business activities of its subsidiaries. The business of a financial holding company shall be limited to investment in, and management of, its invested enterprises.

A financial holding company may apply to the Competent Authority for approval to invest in the following enterprises:

1. Financial holding companies;

2. Banking enterprises;
3. Bills finance enterprises;
4. Credit card businesses;
5. Trust enterprises;
6. Insurance enterprises;
7. Securities enterprises;
8. Futures enterprises;
9. Venture capital enterprises;
10. Foreign financial institutions which have been approved for investment by the Competent Authority; and
11. Other enterprises for which the Competent Authority determines to be financial related.

The term "banking enterprise" as used in Subparagraph 2 of the proceeding paragraph shall include commercial banks, specialty banks and investment and trust companies; the term “insurance enterprise” as used in Subparagraph 6 of the preceding paragraph shall include property insurance companies, personal insurance companies, re-insurance companies, insurance agents and brokers; the term "securities enterprises" as used in Subparagraph 7 of the preceding paragraph shall include securities firms, securities investment trust enterprises, securities investment consulting enterprises and securities finance enterprises; the term "futures enterprises", as used in Subparagraph 8 of the preceding paragraph shall include futures commission merchants, leverage transaction merchants, futures trust enterprises, futures investment management enterprises and futures advisory enterprises. In the event that a financial holding company applies to invest in any of the enterprises listed in Subparagraphs 1 through 9, or Subparagraphs 10 and 11 of Paragraph 2 hereof, the application shall be deemed approved if the Competent Authority does not object thereto within fifteen (15) business days or thirty (30) business days, respectively, from the next day following the receipt of such application. Except in the case where a financial enterprise makes investment in accordance with the laws and regulations governing the industry the financial enterprise belongs to, a financial holding company and its directly or indirectly controlled affiliates shall not engage in any investment activity they apply for before it is approved by the Competent Authority. Violators of the preceding provision shall be subject to fines pursuant to Article 62 herein, and the shares acquired by the violator thereof either before or after the amendment of the Act, shall not carry voting rights and shall not be counted in the total shares issued. In addition, the Competent Authority should order the violating financial holding company to dispose the unlawful investment within a prescribed period of time.

If the business or investment of the subsidiary of a financial holding company exceeds that which is permitted by laws and regulations upon

establishment of the financial holding company, or the business or investment of a financial institution exceeds that which is permitted by laws and regulations upon its conversion into a subsidiary of a financial holding company, the Competent Authority shall require such financial holding company to make adjustment within a prescribed period of time.

The prescribed period of time mentioned in the preceding paragraph shall not be more than three (3) years. If necessary, the financial holding company may apply for an extension of such prescribed period twice; provided, that each extension shall not be more than two (2) years.

The responsible persons or employees of a financial holding company shall not act as the manager of an enterprises in which the venture capital subsidiary of the financial holding company invests.

The subsidiaries of a financial holding company must apply to the Competent Authority for prior approval before they undergo capital decrease. The regulations governing the required documentation for the application, application procedure, review criteria, and other matters to be complied with shall be prescribed by the Competent Authority.

Article 37. A financial holding company may apply to the Competent Authority for approval to invest in enterprises other than those prescribed in Paragraph 2 of the preceding Article; provided that the financial holding company and its representative do not act as the director or supervisor of such enterprise, or designate a person to be the manager of such enterprise, unless it is otherwise approved by the Competent Authority.

In applying for approval to invest in the aforesaid enterprises, the application shall be deemed approved if the Competent Authority does not object thereto within thirty (30) business days from the next day following the receipt of such application; provided, that the financial holding company shall not proceed with the relevant investment until such period has elapsed.

The total amount of investment in all of other enterprises mentioned in

Paragraph 1 hereof by the financial holding company shall not exceed fifteen percent (15%) of the financial holding company's net worth.

The shares of any of other enterprises mentioned in Paragraph 1 hereof held by the financial holding company shall not exceed five percent (5%) of the total issued and outstanding voting shares of such enterprise.

The combined total of shares of any of other enterprises mentioned in Paragraph 1 hereof held by the financial holding company and its subsidiaries shall not exceed fifteen percent (15%) of the total issued and outstanding voting shares of such enterprise, with exceptions to the following:

1. Higher shareholding by the subsidiary of the financial holding company is allowed pursuant to the laws and regulations governing the industry the subsidiary belongs to; or

2. Such other enterprise is not listed on Taiwan Stock Exchange or Gretai Securities Market, and among the financial holding company and its subsidiaries, only the venture capital subsidiary invests in the enterprise and the investment does not exceed a specific amount.

The specific amount mentioned in Subparagraph 2 of the preceding paragraph and investment-related matters to be complied with shall be prescribed by the Competent Authority.

Where the shares of any of other enterprises mentioned in Paragraph 1 hereof held by a financial holding company and its subsidiaries do not comply with the provisions in Paragraph 5 hereof prior to the implementation of the amendment to the Act on December 30, 2008, the Competent Authority shall require such financial holding company to make adjustment within a prescribed period of time after the amendment takes effect.

The prescribed period of time mentioned in the preceding paragraph shall not be more than two (2) years. If necessary, the financial holding company may apply for an extension of such prescribed period once; provided, that each extension shall not be more than one (1) year.

With respect to the application of a financial holding company to the Competent Authority for approval to invest in an enterprise mentioned in Paragraph 1 hereof or Paragraph 2 of the preceding Article, the regulations governing the required documentation for the application, application procedure, review criteria, and other matters to be complied with shall be prescribed by the Competent Authority.

Article 38. A Subsidiary of a Financial Holding Company or an enterprise in which the Subsidiary holds more than twenty percent (20%) of the total issued shares with voting rights or holds Controlling Interest shall not hold shares of the Financial Holding Company.

Article 39. The use of short-term funds by a Financial Holding Company shall be limited to:

1. Savings or trust funds;
2. The purchase of government bonds or financial bonds;
3. The purchase of treasury bills or negotiable certificates of deposit;
4. The purchase of bank guarantees or acceptances that are rated at or above a credit rating set by the competent authority, or, the purchase of commercial bills that are rated at or above a credit rating set by the competent authority; or
5. The purchase of financial products as may be approved by the competent authority which are related to the products in the above four subparagraphs. Investments by a Financial Holding Company in real estate must be approved by the competent authority and such real estate may only be for purposes of the financial holding company's own use.

Article 249, Paragraph 2, and Article 250, Paragraph, 2, of the Company Law shall not apply to the issuance of corporate bonds by a Financial Holding Company; the competent authority may establish other conditions, terms, and requirements [with respect to the issuance of corporate bonds by a financial holding company].

Article 40. Guidelines for a Financial Holding Company's capital adequacy ratio and the evaluation and calculation thereof shall be as prescribed by the FSC. If the actual capital adequacy ratio is lower than that required by the guidelines referred to in the preceding paragraph, the FSC may request the Financial Holding Company to increase the amount of its capital, restrict its distribution of surplus, suspend or limit its investments, set limits on the remuneration of its directors and supervisors or impose other necessary requirements or restrictions.

Such guidelines therefore shall be as prescribed by the FSC.

Article 41. To assure a sound financial structure of a Financial Holding Company, the FSC may, if necessary, set maximum or minimum financial ratio requirements for a Financial Holding Company.

If the actual financial ratio of a Financial Holding Company does not comply with such maximum or minimum limit prescribed by the FSC in accordance with the preceding paragraph, the FSC may request the Financial Holding Company to increase the amount of its capital, restrict its distribution of surplus, suspend or limits its investments, set limits on the remuneration of its directors and supervisors or impose other necessary requirements or restrictions. The guidelines therefore shall be as prescribed by the FSC.

Article 42. Unless otherwise provided by law or regulations of the FSC, a Financial Holding Company and its Subsidiary(ies) shall keep its customer's personal data, transaction information and other relevant information confidential.

The FSC may ask a Financial Holding Company and its Subsidiary(ies) to establish relevant confidentiality measures in writing for the protection of the information referred to in the preceding paragraph, and to give public notice of such confidentiality measures through the Internet or by other methods designated by the FSC.

Article 43. A financial holding company shall apply to the Competent Authority for prior approval before its subsidiaries may engage in co-selling activities among themselves, and shall make sure that such activities will not harm the interests of customers.

When the subsidiaries of a financial holding company engage in co-selling activities, their respective business, service personnel and services shall be made easily identifiable by the customers. Except for customers' names and addresses, the subsidiaries of the financial holding company shall

comply with provisions of the "Personal Information Protection Act" with regard to jointly collecting, processing, and using the personal basic data and dealing or transaction records of customers.

The regulations governing the requirements for the application for approval mentioned in Paragraph 1 hereof, required documentation, application procedure, scope of businesses allowed, sharing of information, sharing of facilities, premises, or personnel management and other matters to be complied with shall be prescribed by the Competent Authority. When the subsidiary of a financial holding company signs a product or service contract with a customer, the subsidiary shall explicitly disclose the important clauses of the contract and associated transaction risk, and note on the contract, by the nature of the product or service, whether the transaction is protected by deposit insurance, Insurance Stabilization Fund, or other protection mechanisms in place. The aforesaid contract shall be submitted to the Competent Authority or an institution designated by the Competent Authority for reference, and post on the websites of the financial institutions, unless it is otherwise stipulated by other laws.

Article 44. The Bank Subsidiary or Insurance Subsidiary of a Financial Holding Company shall not extend unsecured credit to the following persons; Article 33 of the Banking Act shall apply, mutates mutandis to secured credit extension [to such person].

1. A responsible person or Major Shareholder of the Financial Holding Company;

2. An enterprise solely invested in by or a partnership invested in by a responsible person or Major Shareholder of the Financial Holding Company or an organization in which such responsible person or Major Shareholders concurrently acts as the responsible person or representative;

3. Companies in which more than one half of the directors concurrently act as the directors of the Financial Holding Company or its Subsidiary(ies); or

4. The Financial Holding Company's Subsidiary and the responsible persons and Major Shareholders of such subsidiaries.

Article 45. When a Financial Holding Company or its Subsidiary(ies) engages in transactions other than credit extension with the following persons, the terms of such transactions shall not be more favorable than offered to similarly situated customers, and such transactions require the concurrence of at least three-quarters of all of such Financial Holding Company's or Subsidiary(ies)'s directors present at a board of directors meeting attended by at least two-thirds of the directors:

1. A responsible person and Major Shareholder of the Financial Holding Company;

2. An enterprise solely invested in by or a partnership invested in by a responsible person or Major Shareholder of the Financial Holding Company or an organization in which such responsible person or Major Shareholders concurrently acts as the responsible person or representative;

3. An Affiliate and its responsible person and Major Shareholder of the Financial Holding Company; or

4. The Financial Holding Company's Bank Subsidiary, Insurance Subsidiary, Securities Subsidiary, and any such Subsidiary's responsible persons.

Transactions other than credit extension mentioned in the preceding paragraph shall consist of the following:

1. Investment in or purchase of securities issued by any of the persons mentioned in the preceding paragraph;

2. Purchase of real estate or other assets from any of the persons mentioned in the preceding paragraph;

3. Sale of securities, real estate or other assets to any of the persons mentioned in the preceding paragraph;

4. Entering into agreements regarding payment of money or provision of services with any of the persons mentioned in the preceding paragraph;

5. [Arrangements involving] any of the persons mentioned in the preceding paragraph acting as an agent or broker of a Financial Holding Company or its Subsidiary(ies) or providing other services which charge commission or fees; and

6. Engaging in transactions with third parties having a relationship with any of the persons mentioned in the preceding paragraph or engaging in transactions with third parties in which transaction, persons mentioned in the preceding paragraph are involved.

The securities mentioned in Subparagraphs 1 and 3 of the preceding paragraph shall not include negotiable certificates of deposits issued by a Bank Subsidiary. When a Financial Holding Company's Bank Subsidiary engages in the transactions described in Paragraph 2 with any of the persons mentioned in Paragraph 1, the amount of such transactions with any single related person shall not exceed ten percent (10%) of all the net worth of the Bank Subsidiary, and the aggregate amount of transactions with all related persons shall not exceed twenty percent (20%) of the net worth of the Bank Subsidiary.

Article 46. Where the aggregate transactions taken place between all subsidiaries of a financial holding company and any of the following counterparties reach a certain amount or a certain percentage, the financial holding company shall, within thirty (30) days after the end of each quarter in each fiscal year, report to the Competent Authority, and disclose the same

via public announcement, the Internet, or other means designated by the Competent Authority:

1. Same natural person or same juridical person.
2. Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in which the principal or his/her spouse is the responsible person.
3. Same affiliate.
4. The transactions mentioned in the preceding paragraph include:
5. Lending;
6. Guarantee or endorsement of short-term notes or bills;
7. Transaction of notes, bills, or bonds with reverse repurchase agreement;
8. Investment in or purchasing securities issued by any party mentioned in the preceding paragraph;
9. Transactions of financial derivatives; and
10. Other transactions as prescribed by the Competent Authority.

The certain amount, certain percentage, content and format of reporting and disclosure referred to in Paragraph 1 hereof, and other matters to be complied with shall be prescribed by the Competent Authority.

Article 47. At the end of each year, a Financial Holding Company shall prepare consolidated financial statements, an annual report and business report, and submit such documents, along with the resolutions for distribution of profits or covering of losses, and other particulars as designated by the FSC to the FSC within fifteen (15) days after acknowledgement of same by a shareholders' meeting. The FSC may prescribe other particulars to be included in the annual report.

A Financial Holding Company shall publicly disclose its balance sheets, income statements, statements of changes in shareholders' equity, and statements of cash flows, and other particulars designated by the FSC to be included in the financial statements described in the preceding paragraph in a local daily newspaper published in such Financial Holding Company's place of business or by other means as approved by the FSC. However, a Financial Holding Company which has complied with Article 36 of the Securities and Exchange Act is exempt from the above disclosure requirement. The balance sheets, statements of profit and loss, statements of changes in shareholders' equity and statements of cash flows included in the financial statement described in Paragraph 1, above, shall be audited and certified by a certified public accountant.

Where a Financial Institution converts into a Financial Holding Company, the restrictions of Article 241, Paragraph 1, of the Company Law shall not apply to the allocation of surplus retained earnings even though such is recorded as capital reserve of the Financial Holding Company after

conversion. Where a Financial Institution has issued preferred shares, upon the conversion of such a Financial Institution into a Financial Holding Company, the Financial Holding Company shall assume the rights and obligations of such preferred shares, and, in the year that such Financial Institution converts into a Financial Holding Company, the Financial Holding Company shall distribute dividends in accordance with the statements and books prepared by its board of directors and audited by its supervisors for that year and Articles 228 through 231 of the Company Law shall not apply thereto. Article 2, Paragraph 1, Subparagraph 1, of the Statute on Employee Welfare shall not apply to a Financial Holding Company that has converted from a Financial Institution.

Article 48 (deleted).

Article 49. Where a Financial Holding Company holds more than ninety percent (90%) of the outstanding issued shares of a domestic Subsidiary, such Financial Holding Company may, for the tax year in which its such shareholding in the Subsidiary has existed for the entire twelve (12) months of the tax year, elect to be the tax payer itself, and jointly declare and report profit-seeking enterprise income tax and the ten percent (10%) tax surcharge on surplus retained earnings of a profit-seeking enterprise in accordance with the relevant provisions of the Income Tax Law. Other tax matters should be handled separately by a Financial Holding Company and its domestic subsidiary.

Article 50. With regard to transactions between a Financial Holding Company and its domestic Subsidiary, or, between a Financial Holding Company or the Subsidiary of a Financial Holding Company, and domestic or overseas individuals, profit seeking enterprises, or educational, cultural, social welfare, charitable or [other] groups, where the amortization of income, cost, expenses, profits and losses are based on a non arms-length arrangement for purposes of avoiding or reducing the obligations of a taxpayer, the Financial Holding Company or Subsidiary has improperly, for itself or others, sought to avoid or reduce tax obligations by means of the acquisition of shares, asset transfer, or other fraudulent arrangements, an auditing agency may, upon report to and approval of the FSC, adjust such income and tax payable based on normal business practices or [other relevant] information for purposes of the accurate calculation of the income and taxes payable by the relevant taxpayer. However, the above shall not apply to transactions between a Financial Holding Company and a domestic Subsidiary in which the Financial Holding Company holds over ninety percent (90%) of the outstanding issued shares. The consolidated tax reporting provisions of the preceding Article shall not be available to a Financial Holding Company or its Subsidiary for the year in which an auditing agency, in accordance with the provisions of the preceding

paragraph, has adjusted the income and tax payable for such Financial Holding Company or Subsidiary.

CHAPTER IV: SUPERVISION

Article 51. A Financial Holding Company shall establish an internal controland audit system. The FSC shall issue guidelines with respect thereto.

Article 52. To ensure the sound operation of Financial Holding Companies and/or their subsidiary(ies), the FSC may order a Financial Holding Company and its Subsidiary(ies) to provide relevant financial statements, transaction data and other relevant information within a prescribed period of time, and may at any time appoint an official or authorize an appropriate institution to investigate the business, finances, and other relevant affairs of such Financial Holding Company and/or its Subsidiary(ies).

Where necessary, the FSC may appoint professionals and technical experts to conduct the investigation described in the preceding paragraph, and such persons shall, based on the relevant facts, report accordingly to the FSC. Unless otherwise provided by law, the Financial Holding Company shall pay the fees arising there from.

Article 53. If any of a Financial Holding Company's Bank Subsidiary, Insurance Subsidiary or Securities Subsidiary is ordered to increase its capital, such Financial Holding Company shall raise funds for such Subsidiary in proportion to the Financial Holding Company's shareholding in such Subsidiary. If the accumulated losses of a Financial Holding Company exceed one-third (1/3) of such Financial Holding Company's paid-in capital, such Financial Holding shall immediately convene a meeting of its board of directors, notify its supervisors [that they are required] to attend such meeting, and thereafter report the resolutions approved at such meeting, the Financial Holding Company's financial statements, the reasons for such losses, and a plan to improve [the business operations] to the FSC.

Where the circumstances described in the preceding paragraph exist, the FSC may order the Financial Holding Company to remedy such capital deficit within a prescribed period of time.

In order to remedy the capital deficit as described in the preceding paragraph, a Financial Holding Company may, with FSC approval, during a fiscal year, reduce its capital and cancel outstanding shares to the extent of its losses, including losses incurred in the current fiscal year, and raise new capital in an amount equal to the reduced capital in order to replace the canceled shares.

Article 54. Where a Financial Holding Company has violated laws, regulations, or its Articles of Incorporation, or has possibly disturbed the sound operation, the FSC may, correct the Financial Holding Company,

order it to improve [its operations] with-in a prescribed period of time, and order, depending on the seriousness of the circumstances, the following disciplinary actions:

1. The revocation of a resolution passed at a [board/shareholder] meeting;

2. The suspension of all or part of the business of a Subsidiary(ies) of the Financial Holding Company;

3. The dismissal of management or staff members from their duties;

4. The dismissal of directors and supervisors from their positions or the suspension of such directors and supervisors from their duties for a specified period of time;

5. The disposal of the Financial Holding Company's shareholdings in the relevant Subsidiary(ies);

6. Revocation of the approval [for the establishment of a Financial Holding Company]; and/or

7. Other necessary measures.

In the event that a Financial Holding Company's directors or supervisors are dismissed pursuant to Subparagraph 4 of the preceding paragraph, the FSC shall notify the Ministry of Economic Affairs for purposes of cancellation of the registration of such persons as directors or supervisors. In the event that approval [to establish a Financial Holding Company] is revoked pursuant to Subparagraph 6 of Paragraph 1, the FSC shall order such Financial Holding Company to dispose of the shares with voting rights, or capital stock, that such Financial Holding Company holds in Banks, Insurance Companies or Securities Houses, and [the FSC shall order] the dismissal of directors directly or indirectly elected or designated by such Financial Holding Company to the extent that [the Financial Holding Company's shareholding] does not comply with the provisions of Article 4, Subparagraph 1, of this Act, and prohibit such Financial Holding Company from using the term "financial holding company" in its name and order such Financial Holding Company to amend its company registration. In the event that a Financial Holding Company does not complete the measures ordered [pursuant to this paragraph] within the time period prescribed by the FSC, the FSC may order such Financial Holding Company to commence its dissolution and liquidation.

Article 55. Where it is clear that a Financial Holding Company's investment in an investee enterprise jeopardizes the sound operation of such Financial Holding Company's Bank, Insurance, or Securities Subsidiary, the FSC may order the Financial Holding Company, within a prescribed period of time, to dispose of the shares it holds in the investee enterprise, or to reduce the ratio of the shares with voting rights, or capital stock, of the relevant Bank, Insurance or Securities Subsidiary held by such Financial

Holding Company and [the FSC may order] the dismissal of directors directly or indirectly elected or designated by such Financial Holding Company to the extent that [the Financial Holding Company's shareholding] does not comply with the provisions of Article 4, Subparagraph 1 of this Act. Paragraph 3 of the preceding Article shall apply thereto mutatis mutandis.

The FSC may, in accordance with Article 27 of the Administrative Enforcement Law, authorize a third party to dispose of such shares or capital stock that fail to be disposed within prescribed time period, or the FSC may appoint a third party to manage them until the Financial Holding Company completes such disposal; the Financial Holding Company shall pay the fees arising therefrom.

Article 56. If the capital adequacy ratio of a Financial Holding Company's Bank, Insurance or Securities Subsidiary fails to satisfy the minimum amount as prescribed by the FSC, or, owing to adverse changes in its finances or business, a Financial Holding Company's Bank, Insurance or Securities Subsidiary fails to pay its obligation when due or circumstances exist which may threaten the interests of depositors, such Financial Holding Company shall assist its Subsidiary to return to normal operations.

Where the Bank, Insurance, or Securities Subsidiary of a Financial Holding Company encounters the circumstances described [in the paragraph] above, the FSC may, in order to safeguard the public interest or to stabilize the financial market, order such Financial Holding Company to perform the obligations required by the preceding paragraph, or [the FSC may order such Financial Holding Company] to dispose of all or part of the shares, business or assets that such Financial Holding Company holds in investee enterprises within a prescribed period of time, and to utilize the proceeds thereof to improve the financial circumstances of the relevant Bank, Insurance, or Securities Subsidiary.

CHAPTER V: PENAL PROVISIONS

Article 57. A responsible person or staff member of a Financial Holding Company who violates his/her duty with the intent to gain illegal benefit for himself/herself or a third party and damages the Financial Holding Company's assets or other interests shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT$10,000,000) and not more than Two Hundred Million New Taiwan Dollars (NT$200,000,000). Those who thereby obtain criminal income of One Hundred Million New Taiwan Dollars (NT$100,000,000) or more shall be punished by imprisonment for more than seven (7) years, and may also be fined a criminal fine of not less than Twenty Five Million New Taiwan Dollars (NT$25,000,000) and not more than Five Hundred Million New

Taiwan Dollars (NT$500,000,000). When two or more responsible persons or staff members of a Financial Holding Company jointly commit the offenses prescribed in the preceding paragraph, their punishment may be increased by up to one-half of the specified punishment.

Attempts to commit the acts described in the preceding two paragraphs shall be punishable.

Article 57-1. When persons use fraudulent methods to cause the Financial Holding Company to make payment using the assets of the Financial Holding Company or a third party, or use illicit methods to enter fictitious data or illicit commands into the Financial Holding Company computer or relevant equipment, with the intent to gain illegal benefit for themselves or a third party, and thereby cause asset loss or gain or entitlement changes to others through the alteration of records, those who thereby obtain criminal income of One Hundred Million New Taiwan Dollars (NT$100,000,000) or more shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may also be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT$10,000,000) and not more than Two Hundred Million New Taiwan Dollars (NT$200,000,000).

Those who use methods described in the foregoing paragraph to obtain the illegal benefit of assets or cause a third party to do so shall likewise be subject to the specified punishments.

Attempts to commit the acts described in the preceding two paragraphs shall be punishable.

Article 57-2. For those who have turned themselves in after committing crimes stipulated in Article 57 or Article 57-1, if there are gains from such crimes and they have delivered all gains out at their free will, their sentences can be reduced or exempted. If their acts of confession have led to the capture of other principal criminals or accomplices, their sentences shall be exempted. For those who have committed crimes stipulated in Article 57 or Article 57-1 and confessed during investigation, if there are gains from such crimes and they have delivered all gains out at their free will, their sentences shall be reduced. If their acts of confession have led to the capture of other principal criminals or accomplices, their sentences shall be reduced by one-half. For those who have committed crimes stipulated in Article 57 or Article 57-1, if their gains from such crimes is exceeded the highest level of fines, more fines can be added within the range of their illegal gains. Should their criminal acts have jeopardized the stability of the financial market, their sentences shall be increased by one-half.

Article 57-3. Where a gratuitous act done by a responsible person or staff member of a Financial Holding Company under Article 57, Paragraph 1, or by a committer of a violation under Article 57-1, Paragraph 1, is

prejudicial to the rights of a Financial Holding Company, the Financial Holding Company may petition a court to void the act.

Where a non-gratuitous act done by a responsible person or staff member of a Financial Holding Company or a committer of a violation as referred to in the preceding paragraph is done with the knowledge, at the time of commission, that it would be prejudicial to the rights of a Financial Holding Company, and the beneficiary of the act also knows such circumstances at the time the benefit is received, the Financial Holding Company may petition a court to void the act.

When petitioning a court for voidance under either of the preceding two paragraphs, a party may also petition the court to order the beneficiary or any party to whom the benefit has been transferred to restore the status quo ante; provided, this shall not apply where the party to whom the benefit has been transferred was not aware at the time of transfer that there was cause for voidance.

Any disposition of property between a responsible person or staff member of a Financial Holding Company or a committer of a violation as referred to in Paragraph 1 and such a person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a gratuitous act. Any disposition of property between a responsible person or staff member of a Financial Holding Company or a committer of a violation as referred to in Paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a gratuitous act. The right to voidance under Paragraphs 1 and 2 shall be extinguished one year after the time the Financial Holding Company learns there is cause for voidance if the Financial Holding Company fails to exercise the right, or ten years after the time of the act.

Article 57-4. The crimes set forth in Article 57, Paragraph 1, and Article 57-1, Paragraph 1, are serious crimes as defined in Article 3, Paragraph 1, of the Money Laundering Control Act, and are subject to the application of relevant provisions of the Money Laundering Control Act.

Article 58. In the event the Bank Subsidiary or Insurance Subsidiary of a Financial Holding Company extends unsecured credit to the persons listed in Article 44, above, or extends partially secured credit or the terms of such extended credit are more favorable than these terms offered to other same category customers, the person responsible for the violation shall be punished by imprisonment for not more than three (3) years, detention, and/or a criminal fine of not less than Five Million New Taiwan Dollars (NT$5,000,000) and not more than Twenty Five Million New Taiwan Dollars (NT$25,000,000). In the event that the amount of a secured credit extended to the persons listed in Article 44 by the Bank Subsidiary or Insurance Subsidiary of a Financial Holding Company exceeds the amount

prescribed by the FSC without obtaining approval from not less than three-quarters of the directors present in the board meeting at which not less than two-thirds of the directors are present, or violates the credit limit or total balance of loans prescribed by the FSC, the person(s) responsible for the violation shall be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000).

Article 59. The responsible person or employee of a financial holding company who violates Paragraph 4 of Article 17 herein by accepting commissions, rebates or other unwarranted benefits shall be punishable by imprisonment for not more than three (3) years, detention, and/or a fine of not more than Five Million New Taiwan Dollars (NT$5,000,000).

Article 60. Commission of any of the following acts shall be punishable by a fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000):

1. Violation of Paragraph 1 of Article 6 herein by failing to apply for establishment of a financial holding company;
2. Violation of Paragraph 3 of Article 16 herein by holding shares without the approval of the Competent Authority;
3. Violation of Paragraph 1 or Paragraph 2 of Article 16 herein by failing to report to the Competent Authority, or violation of the proviso in Paragraph 7 of the same Article by increasing shareholding;
4. Violation of Paragraph 10 of Article 16 by failing to dispose within the time period prescribed by the Competent Authority;
5. Violation of regulations governing reporting or announcement prescribed by the Competent Authority in accordance with Paragraph 5 of Article 16 herein;
6. Violation of Paragraph 6 of Article 16 herein by creating pledge;
7. Violation of Paragraph 1 of Article 18 herein by undergoing merger, general assignment or general assumption (of assets and/or debt obligations) without approval;
8. Violation of Article 38 herein by holding shares of a financial holding company;
9. Violation of Paragraph 1 of Article 39 herein on the restricted use of short-term funds; or violation of Paragraph 2 of the same Article by investing in real estate or investing in real estate not for own use without approval;
10. Violation of regulations governing issuance terms or conditions prescribed by the Competent Authority in accordance with Paragraph 3 of Article 39 herein;
11. Violation of the ratios, requirements or restrictions prescribed by the Competent Authority in accordance with Article 40 or Article 41 herein;

12. Violation of Paragraph 1 of Article 42 herein by failing to keep data confidential;

13. Violation of Paragraph 1, Paragraph 2 or Paragraph 4 of Article 43 herein; or violation of the regulations governing the scope of businesses allowed, sharing of information, sharing of facilities, premises or personnel management prescribed by the Competent Authority in accordance with Paragraph 3 of Article 43 herein;

14. Violation of the restriction on trading terms or the manner in which the board of directors adopts resolution as stipulated in Paragraph 1 of Article 45 herein; or violation of the provision on percentage of amount stipulated in Paragraph 4 of the same Article;

15. Violation of Paragraph 1 of Article 46 herein by failing to report to the Competent Authority or make disclosure;

16. Violation of Article 51 herein by failing to establish an internal control or audit system or failing to duly implement such system;

17. Violation of Paragraph 1 or Paragraph 2 of Article 53 herein; or failure to remedy a capital deficit within the period of time prescribed by the Competent Authority in accordance with Paragraph 3 of the same Article;

18. Violation of orders issued by the Competent Authority in accordance with Paragraph 1 of Article 55 herein;

19. Violation of Paragraph 1 of Article 56 herein by failing to perform the obligation of assistance; or violation of orders issued by the Competent Authority in accordance with Paragraph 2 of the same Article; and Article 61.

The responsible person or a staff member of a Financial Holding Company who commits any of the following acts in connection with the FSC having ordered production of relevant financial statements, transaction data or other relevant information within a prescribed period of time, or having appointed an official or authorized an appropriate institution or appointed a specifically professional and technical expert to investigate the business, finances, and other relevant affairs of such Financial Holding Company and/or its Subsidiary(ies) in accordance with Article 52 of this Act shall be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000):

1. Refusing to be investigated or refusing to open the vault or other storage facilities;

2. Concealing or damaging books and documents related to business or financial conditions;

3. Refusing to reply or providing misleading responses to inquiries of the investigator without justifiable reasons; and/or

4. Failure to timely, honestly or completely provide financial reports, transaction data or other related data designated by the FSC, or to pay investigation fees within the specified period(s) of time.

Article 62. Commission of any of the following acts shall be punishable by less than One Million New Taiwan Dollars (NT$1,000,000) and Five Million New Taiwan Dollars (NT$5,000,000):

1. Violation of the proviso in Paragraph 4 of Article 36 herein or Article 37 herein by making an investment without approval;

2. Violation of Paragraph 5 of Article 36 or Paragraph 7 of Article 37 herein by failing to make adjustment within the period of time prescribed by the Competent Authority; or violation of Paragraph 7 of Article 36 herein where the responsible person or employee [concurrently] acting as managers of enterprises in which the venture capital subsidiary invests;

3. Violation of Paragraph 8 of Article 36 herein by undertaking capital decrease without the approval of the Competent Authority;

4. Violation of Paragraph 1 of Article 37 herein by making investment without the approval of the Competent Authority, or having itself or its representative acting as the director or supervisor of the invested enterprise, or designating a person to be the manager of such enterprise;

5. Violation of Paragraph 3, 4, or 5 of Article 37 herein by exceeding the investment limit or the restriction on shareholding; and

6. Violation of Paragraph 1, 2, or 4 of Article 68 herein by failing to report, apply for permission, adjust the shareholding, or apply for approval.

Article 63. Unless otherwise prescribed by this Act, administrative fines imposed for violation of this Act or regulations authorized hereunder or for failure to perform obligations to be performed shall be not less than Five Hundred Thousand New Taiwan Dollars (NT$500,000) and not more than Two Million Five Hundred Thousand New Taiwan Dollars (NT$2,500,000).

Article 64. After having paid an administrative fine, the relevant Financial Holding Company or its Subsidiary(ies) shall claim compensation from the person(s) responsible for the violation.

Article 65. If the responsible person(s), agent(s), employee(s) or staff member(s) of a legal entity commits any punishable act under this Act, in addition that punishment being imposed on the person(s) responsible for the violation in accordance with this Chapter, the legal entity shall also be punished by the administrative fine or criminal fine described in the relevant Article.

Article 66. If an administrative fine prescribed for in this Act is not paid within the period of time set by the FSC, a surcharge for late payment shall be levied, and calculated at the rate of one percent (1 %) of the amount of the fine in arrears for each day of delay, starting from the day following the expiry of the set period of time. If the payment of the fine still has not been

made thirty (30) days therefrom, the case shall be referred to the court for compulsory execution.

Article 67. If a Financial Holding Company or the punished person penalized in accordance with this Chapter and fails to take corrective measures within the period of time prescribed by the FSC, the FSC may punish such Financial Holding Company or such punished person for the same facts or acts by imposing consecutive penalties imposed daily until the corrective measures are taken. Where the violations are of a serious nature, the FSC may require discharge of the responsible person or revoke the approval [for the establishment of the Financial Holding Company].

Article 67-1. Any criminally obtained assets or property in the possession of those who have violated this Act shall be confiscated, with the exception of compensations due to those victims or parties eligible for claims against damages. If some or all of the assets or property cannot be recovered, the equivalent value the violator's own money or property shall be confiscated as compensation.

Article 67-2. Those who violate this Act and are fined a criminal fine of Fifty Million New Taiwan Dollars (NT$50,000,000) or more, but are unable to pay their fine in full, shall perform labor service for a period of not more than two (2) years; the length of such labor service shall be calculated by the ratio of the total amount of the fine to the number of days in two (2) years. Those who are fined One Hundred Million New Taiwan Dollars (NT$100,000,000) or more, but are unable to pay their fine in full, shall perform labor service for a period of not more than three (3) years; the length of such labor service shall be calculated by the ratio of the total amount of the fine to the number of days in three (3) years.

CHAPTER XI: SUPPLEMENTARY PROVISIONS

Article 68. The Same Person or Same Concerned Person who falls within the circumstances described in Article 4, Subparagraph 1, of this Act prior to the date of promulgation of this Act shall report to the FSC within six (6) months after the date of promulgation of this Act. The Same Person or Same Concerned Person stated above who does not fall within the circumstances prescribed in Article 6, Paragraph 2, of this Act shall, within one (1) year after the date of promulgation of this Act, apply to the FSC for approval to establish a Financial Holding Company in accordance with Article 8. [The Same Person or Same Concerned Person] who does not obtain the FSC approval shall, within five (5) years after the date of promulgation of this Act, decrease the shares with voting right or capital stock thereof [Such Same Person or Same Concerned Person] holds in Banks, Insurance Companies or Securities Houses and the number of the

directors directly or indirectly elected or designated [by Such Same Person or Same Concerned Person] to the extent that [his/her/its shareholding] does not comply with the provisions of Article 4, Subparagraph 1 of this Act. For good cause shown, t he period of five (5) years prescribed in the proceeding Paragraph may be extended twice with the FSC approval. Each extension shall not exceed two (2) years. Banks which hold shares with voting rights or capital stock in Insurance Companies or Securities Houses falling within the circumstances described in Article 4, Subparagraph 1, of this Act through investment in accordance with Article 74 of the Banking Act or which directly or indirectly elect or designate the majority of directors of a Bank, Insurance Company or Securities House before the promulgation of this Act may, within six (6) months after the date of promulgation of this Act, apply to the FSC for approval for exemption from this Act.

Article 68-1. For purposes of trying a criminal case of violation of this Act, a court may set up a special court or appoint a specialist to hear the case.

Article 69. This Act is in force in November 1, 2001.

Amended articles in this Act, except for those amended on May 5, 2006 that have taken effect since July 1, 2006, shall be implemented from the date of promulgation.

FUTURES TRADING ACT
(期貨交易法)

Amended Date 2010.06.09

Category Financial Supervisory Commission (金融监督管理委員會)

CHAPTER I GENERAL PROVISIONS

Article 1. The Futures Trading Act (hereinafter referred to as "this Act") is enacted for the purpose of facilitating the sound development of the futures market and maintaining the orderly transaction of the market.

Article 2. The regulation of futures transaction shall be governed by this Act; such matters not provided for in this Act shall be governed by the provisions of other relevant acts.

Article 3. For the purpose of this Act, "'futures trading" shall mean trading under the following contracts regarding derivatives of commodities, currencies, securities, interest rates, indices, or any other interests conducted pursuant to the regulations or practices set forth by domestic or foreign futures exchanges or other futures markets:

1. Futures Contract shall mean a contract made pursuant to the agreement of the parties involved to purchase or sell a specified quantity of a certain underlying interest for delivery at a specified future time and at a specified price and under the specified trading terms, or to offset the obligation under the contract by settling the difference in price prior to or on the last trading day.

2. Option Contract shall mean a contract made pursuant to the agreement of the parties involved, wherein the option buyer pays the premium in exchange for obtaining a right of call option or put option to purchase or sell a specified quantity of a certain underlying interest at a specified price and under the specified trading terms within a specified period of time; whereas the option seller has the corresponding obligation to fulfill his/her duties pursuant to such option contract when the option buyer exercises the right and demands for the option seller's performance; or both parties agree to offset the obligation and right under the contract by settling the difference in price prior to or on the last trading day.

3. Futures Option Contract shall mean a contract made pursuant to the agreement of the parties involved, wherein the option buyer pays the premium in exchange for obtaining a right of call option or put option to purchase or sell a specified quantity of a certain underlying futures contract at a specified price and under the specified trading terms within a specified period of time; whereas the option seller has the corresponding obligation to fulfill his/her duties pursuant to such option contract when the option buyer

exercises the right and demands for the option seller's performance; or both agree to offset the obligation and right under the contract by settling the difference in price prior to or the last trading day.

4. Leverage Contract shall mean a contract made pursuant to the agreement of the parties involved, wherein one party undertakes to pay a specific percentage of an amount or to obtain a specific credit line limit granted by the other party, and, within a specified future time period, to offset the obligation and right pursuant to the terms under the contract by settling the difference in price or delivering the underlying interest.

For reasons of financial, currency, foreign exchange, and government bond policies, etc., futures trading conducted outside futures exchanges may, as announced by the Ministry of Finance within the scope of its governing matters or by the Central Bank of China within the scope of its administrating matters, be exempted from the application of this Act.

Article 4. The term "Competent Authority" as referred to in this Act shall be the Financial Supervisory Commission, Executive Yuan.

Article 5. The futures trading that a futures commission merchant may be mandated to engage in shall be confined to those futures categories and at those exchanges as announced by the Competent Authority.

Article 6. The Competent Authority may, with the approval by the Executive Yuan, enter into cooperation agreements with foreign government agencies, institutions, or international organizations to facilitate matters such as information exchange, technical cooperation, and investigation assistance.

The Competent Authority may, with the approval by the Executive Yuan, authorize other agencies, institutions or associations to enter into the cooperation agreements as referred to in the preceding paragraph.

Unless otherwise conflicting with the interests of the state or the rights of the investing public, the Competent Authority may request the provision of the necessary information and records from related regulatory authorities or financial institutions, and provide them to the requesting foreign government agency, institution, or international organization which has executed cooperation agreements based on the principles of reciprocity and confidentiality.

CHAPTER II FUTURES EXCHANGE SECTION I GENERAL PROVISION

Article 7. A futures exchange shall be established for the purpose of promoting the public interest and preserving the transaction fairness of the futures market. A futures exchange may be organized in form of either membership or company.

Article 8. A futures exchange shall be established with an approval granted and a business license issued by the Competent Authority.

The establishment criteria as referred to in the preceding Paragraph and the governing regulations for the futures exchanges shall be prescribed by the Competent Authority.

Article 9. The business of a futures exchange is to provide services for a centralized futures trading market. Unless otherwise approved by the Competent Authority, a futures exchange shall neither engage in other business nor invest in other enterprises.

Article 10. A futures trading contract shall not be traded on the futures exchange without prior approval from the Competent Authority. Nonetheless, when the Competent Authority is approving the futures trading contract involving currency exchange between New Taiwan Dollars and foreign currencies, the Competent Authority shall consult with and obtain the consent of the Central Bank of China in advance. The Competent Authority shall grant or deny the application as referred to in the preceding paragraph within six months, unless extraordinary circumstances are present.

Article 11. An approved futures trading contract may be voided by the Competent Authority if one of the following events occurs:

a. The contract has lost its economic value;
b. The contract is not consistent with the public interest;
c. Upon the petition filed by the futures exchange.

Article 12. Unless otherwise prescribed by this Act or other acts, or otherwise approved by the Competent Authority, futures trading shall be conducted only at a futures exchange.

Article 13. Unless acting pursuant to this Act, no person shall engage in operating a futures exchange or the business of a futures exchange.

No person shall provide any premises, facilities, or information for others to engage in the unlawful business as referred to in the preceding Paragraph.

Article 14. A futures exchange shall deposit an operation bond with the National Treasury. The amount and the governing regulations of the said bond shall be prescribed by the Competent Authority.

Article 15. The operating rules of a futures exchange shall contain the following particulars:

a. use of the futures trading market;
b. trading system;
c. clearing and settlement system;
d. calculating methodology of margin and premium;
e. administration of futures commission merchants;
f. surveillance of the futures trading market;
g. contingency plan;
h. handling procedures and penalties for default cases;
i. other matters as required by the Competent Authority.

The prescription and amendment of the provisions in the operating rules as referred to in the preceding Paragraph shall be approved by the Competent Authority.

Article 16. A futures exchange, in the execution of market surveillance pursuant to Item 6 of Paragraph 1 in the preceding Article, may publicize the very trading information where such a surveillance has detected abnormalities; in case such a trading is suspected of materially dampening the market order, the following measures may be undertaken:

1. the adjustment of margin level or the time span for collection;
2. the restriction of trading volumes for the whole or partial portion of futures commission merchants;
3. the restriction of trading volumes and/or open positions;
4. suspension or termination of the said futures trade;
5. any other necessary measure for the maintenance of the market order or for the protection of futures traders.

Article 17. In the event of the following events, the Competent Authority may void the license of a futures exchange:

a. the application for incorporation or the business license contains false statement;

b. where, three months elapsed after the issuance of the business license, the futures exchange fails to commence its business operation or, after commencing its business operation, it has voluntarily suspended its operation for a continuous period of three months or longer, unless the futures exchange, for justifiable cause shown, has applied for and obtained an extension approval by the Competent Authority.

Article 18. A futures exchange shall file registration statements with the Competent Authority for its recordation upon commencing or suspending its business operation.

Article 19. Any directors, supervisors, or their individual representatives, managers, or employees of a futures exchange shall keep confidential any information relevant to futures transactions acquired through the performance of their duties.

Article 20. The rules regarding qualification and personnel governance for the responsible persons and associated persons of a futures exchange shall be prescribed by the Competent Authority.

Section II Membership Type Futures Exchange

Article 21. A membership futures exchange shall be established as a non-profit juristic person.

Article 22. The number of memberships of a membership futures exchange shall be no less than seven.

Article 23. The promoters of a membership futures exchange shall, based on an unanimous agreement, execute the "Articles of Association" containing the following particulars with signatures and chops:

1. objectives;
2. name;
3. location of the head office;
4. organization and responsibilities;
5. categories and eligibility of membership;
6. number of memberships;
7. accession and withdrawal of members;
8. membership contribution and refund;
9. matters concerning discipline of members;
10. matters concerning number, responsibilities, term of office, election and removal of directors and supervisors;
11. matters regarding clearing and settlement;
12. imposition of penalties for breach of contract;
13. matters regarding transaction fees and charges for members;
14. apportionment of membership expenses;
15. disposal of residual assets upon dissolution;
16. matters regarding accounting;
17. procedures for amending the Articles of Association;
18. methods for public announcement;
19. any other matters as required by the Competent Authority; and
20. date of executing the Articles of Association.

Article 24. The members of a membership futures exchange shall make their contributions in accordance with the provisions of the Articles of Association. The minimum contribution amount shall be prescribed by the Competent Authority according to the categories of membership.

In addition to the sharing of membership expenses according to the provisions of Articles of Association and the contribution referred to in the preceding Paragraph, a member's liability for the futures exchange is limited to ten times of its membership contribution.

The member contribution referred to in the first paragraph shall be paid in cash.

Article 25. In case of any of the following acts by a member of a membership futures exchange, the futures exchange shall impose upon the member a monetary penalty and may further warn, suspend or restrict such member from trading futures on the said futures exchange, or may expel the member should the offense be of a serious nature:

1. any act in violation of acts and regulations, or any failure to comply with the administrative orders issued by the Competent Authority pursuant to acts and regulations;

2. any act in violation of the Articles of Association, operating rules, standards for mandate contracts, or any other rules of the futures exchange;

3. any transaction in violation of the principles of integrity and good faith which may cause damages to others.

The expulsion of a member as referred to in the preceding Paragraph shall be reported to the Competent Authority for recordation.

Article 26. Where a member withdraws from the membership or is suspended from trading, the membership futures exchange shall, in compliance with the Articles of Association, require the said member or designate an other member to wind up and settle its transactions effected on the futures exchange; within the scope of winding up the business, the said member shall not be deemed to have withdrawn from the futures exchange or suspended from trading.

Where another member is designated to wind up the transactions in accordance with the preceding Paragraph, a mandate relationship is deemed to exist between the withdrawing member and the designated member so far as it is necessary for winding up and settling the transactions.

Article 27. A membership futures exchange shall have at least three board directors and one supervisor elected from among its members in accordance with the Articles of Association. At least one-fourth of the directors shall be elected from among non-member experts, half of whom shall be appointed by the Competent Authority and the remaining shall be selected by the Board with the approval of the Competent Authority. The selection procedures for such directors shall be prescribed by the Competent Authority.

The term of office of both directors and supervisors shall be three years; successive terms in office are permissible upon re-election or re-appointment. The directors shall establish a board of directors and shall elect a chairman with the consent of the majority of the directors.

The board chairman shall be a full-time executive officer; the above requirement shall not apply, however, if the membership futures exchange has assigned a manager vested with full authority to take charge of its operation.

Article 28. No person who falls within any of the following categories shall serve as a promoter, director, supervisor, or manager of a membership futures exchange; those already serving in any of these capacities shall be discharged:

a. any person specified in any Item of Article 30 of the Company Act;

b. any person who served as the director, supervisor, manager, or other equivalent position of a juristic person at the time it was adjudicated bankrupt; and that three years have not elapsed since the close of the bankruptcy, or the reconciliation has not been fulfilled;

c. any person who has a record of a negotiable instrument being dishonored by a financial institution in the preceding three years; or

d. any person who has been discharged from his position under Paragraph 1 of Article 101 of this Act, or Article 56 or Item 2 of Article 66 of the Securities and Exchange Act within the past five years;

e. any person who has been sentenced under this Act, the Foreign Futures Trading Act, the Company Act, the Securities and Exchange Act, the Banking Act, the Statute for the Regulation of Foreign Exchange, the Insurance Act, or the Credit Union Act to a punishment of not less severe than a criminal fine; and five years have not elapsed since the completion of sentence execution, the expiration of the suspension of sentence, or the pardon of the crime;

f. any person who has been removed from his or her position pursuant to Item 2, Paragraph 1 of Article 100 of this Act within the past five years; or

g. any person who has been proved that, on behalf of others, he/she illegally acted as a promoter, director, supervisor or manager of a membership futures exchange. Where the promoter, director, or supervisor of the membership futures exchange is a juristic person, the preceding Paragraph shall apply mutatis mutandis to the representatives of the said juristic person or the individuals designated to execute business for the juristic person.

Article 29. Representatives of member directors or supervisors, non-member directors or supervisors, or any employees of the membership futures exchange shall not, for their own interest and using any trading account, either on their own behalf or by commissioning others, trade futures contracts in such futures exchange. The persons referred to in the preceding Paragraph are prohibited from, providing funds to, sharing profits or losses with, or involving in any other business with any members of the exchange; however, the above restriction shall not apply to the representatives of member directors or supervisors who perform such acts for the interests of the members they represent.

Article 30. In the event that the Competent Authority finds that any director or supervisor of the futures exchange was improperly elected, or any director, supervisor or manager was in violation of any act or regulation, or the Articles of Association, or failing to comply with any administrative dispositions issued by the Competent Authority under and pursuant to this Act and related regulations, the Competent Authority may notify the futures exchange to discharge such persons from their offices.

Article 31. Unless otherwise provided in this Act, the provisions of the Company Act regarding directors, supervisors, or managers shall apply mutatis mutandis to the directors, supervisors, or managers of a membership futures exchange.

Article 32. The provisions of this section regarding directors and supervisors shall apply mutatis mutandis to their designated representatives. .

Article 33. A membership futures exchange shall proceed with the dissolution process upon the occurrence of any one of the following causes:

a. any event of dissolution specified in the Articles of Association occur;

b. by resolution of the general meeting of members;

c. The number of membership is less than seven;

d. bankruptcy; or

e. voidance of the approval for the establishment of the futures exchange.

The dissolution referred to in Item 2 of the preceding Paragraph shall not become effective without the approval from the Competent Authority.

Section III: Futures Exchange Organized as a Company Article 34

A futures exchange organized as a company shall be a company limited by shares; the shareholding of any shareholder shall not exceed five percent of the paid-in capital in the said company unless an approval was granted by the Competent Authority under special circumstances.

Article 35. The Articles of Incorporation of a futures exchange organized as a company shall be executed in accordance with the Company Act. The following particulars shall not be effective unless they are explicitly stipulated in the Articles of Incorporation:

- qualifications of shareholders and restrictions imposed on the transfer of shares;
- qualifications of traders;
- establishment of a clearing department;
- any other matters required by the Competent Authority.

Where the Articles of Incorporation of a futures exchange organized as a company impose any restrictions as prescribed under the preceding Item 1, Article 163 and Article 267 of the Company Act shall not be applicable.

Article 36. At least one-fourth of the directors and supervisors of a futures exchange organized as a company shall be non-shareholder experts, half of whom shall be appointed by the Competent Authority, and the remaining half shall be selected by the Board subject to approval by the Competent Authority. The selection procedures for such board members shall be prescribed by the Competent Authority, and Paragraph 1 of Article 192 and Paragraph 1 of the Article 216 of the Company Act shall not be applicable.

Article 37. A futures exchange organized as a company shall not issue bearer stocks. In case a futures exchange organized as a company imposes any restrictions on the qualifications of shareholders pursuant to Item 1 of Paragraph 1 of Article 35 of this Act, the person to whom the stock of the

futures exchange may be transferred or pledged are limited to those whose qualifications are expressly stipulated in the Articles of Incorporation.

Article 38. A futures exchange organized as a company shall establish a business committee and a discipline committee, and at least one-third of the members of each committee shall consist of the futures commission merchants trading on the exchange. The organization and responsibilities for the committees referred to in the preceding Paragraph shall be filed for approval with the Competent Authority.

Article 39. Futures commission merchants trading in a futures exchange organized as a company shall enter into a contract for the usage of the centralized futures trading market with the exchange specifying the following: 1. the rate of futures trading processing fees;

1. that any futures commission merchant who violates any provisions of Paragraph 1 of Article 25 of this Act shall be punished with a monetary penalty for breach of contract, have its trading suspended or restricted, or have its usage contract terminated;

2. that any futures commission merchant who has been designated to wind up or settle trades made by other futures commission merchants shall have the obligation to perform in accordance with the contract.

The contract referred to in the preceding Paragraph together with other relevant materials shall be registered by the futures exchange with the Competent Authorities for its approval and recordation.

Article 40. The contract referred to in the preceding Article shall be terminated either pursuant to the provisions of the contract, or upon the dissolution, voidance of the business license, or suspension of business of either party to the contract.

Article 41. A futures exchange organized as a company, when terminating the contract with a futures commission merchant pursuant to Item 2 of Paragraph 1 of Article 39 of this Act shall register such contract termination with the Competent Authority for its recordation.

Article 42. Where a futures commission merchant terminates the contract pursuant to Article 40 under this Act or is suspended from trading, it shall bear the obligation to wind up its transactions in the centralized futures trading market.

Article 43. The Competent Authority, at its discretion, may order a futures exchange organized as a company to allocate a certain proportion of its earnings as special reserve in addition to the legally required reserve.

The ratio of the special reserve referred to in the preceding Paragraph to be allocated per annum shall be determined by the Competent Authority depending upon the earnings status of the futures exchange.

Article 44. The provisions of Article 28, Article 30, and Article 32 of this Act shall apply mutatis mutandis to a futures exchange organized as a company.

CHAPTER III FUTURES CLEARING HOUSES

Article 45. Approval and a business license shall be obtained from the Competent Authority for the establishment of a futures clearing house; such approval and business license are also required in case where the clearing business is conducted by a futures exchange or by other institutions.

The operations, finance and accounting of a futures clearing house shall be kept independent. The form of organization, the rules for the establishment criteria, and the governing regulation shall be prescribed by the Competent Authority.

Article 46. The clearance of futures trading, unless otherwise approved by the Competent Authority, shall be executed by a clearing member with its futures clearing house. The rules regarding the qualification of a clearing member as referred to in the preceding Paragraph shall be prescribed by the futures clearing house and approved by the Competent Authority.

Article 47. The operating rules of a futures clearing house shall contain the following particulars:

1. procedures and methods of clearing and settlement;
2. clearing confirmation, recordation and report statement;
3. matter relating to clearing margin and premium;
4. matters relating to delivery and cash settlement;
5. contribution, custody and utilization of clearing and settlement fund;
6. surveillance of the futures trading market;
7. matters regarding service charges;
8. handling procedures and penalties for default cases;
9. contingency plan; and
10. other matters as required by the Competent Authority.
11. The prescription and amendment of the provisions in the operating rules as referred to in the preceding Paragraph shall be reported to the Competent Authority for its approval.

Article 48. A futures clearing house may, in the process of surveillance of the futures trading market pursuant to Item 6 of Paragraph 1 of the preceding Article, take the following necessary measures against any members when it discovers circumstances that may materially affect the market order:

1. adjust the amount of the clearing margin;
2. issue intra-day multiple margin calls;
3. liquidate the open positions in whole or in part; or

4. any other measures that are necessary to maintain market order or to protect futures trading.

The standards for determining when the market order may be materially affected shall be prescribed by the clearing house and approved by the Competent Authority.

Article 49. In case a clearing member fails to perform its clearing and settlement obligation, the futures clearing house shall appropriate the following funds as compensation in the order set forth below:

1. the defaulting clearing member's clearing margin;
2. the defaulting member's contribution to the clearing and settlement fund;
3. other member's contribution to the clearing and settlement fund;
4. the compensation reserve fund of the futures clearing house; and
5. the aggregate contribution from each individual member of the futures clearing house in the proportion determined by the clearing house.

The contribution proportion referred to in Item 5 of the preceding Paragraph shall be filed with the Competent Authority for its approval.

The defaulting futures clearing member is liable to indemnify the compensation funds as prescribed under Item 3, Item 4 and Item 5 of Paragraph 1.

Article 50. A futures clearing house shall collect a clearing margin from each of its clearing members, and such margin may be deposited in cash or in other securities approved by the Competent Authority; where the margin is partially composed of pledged securities, the securities proportion in value shall be prescribed by the Competent Authority.

The methods of collection, the levying criteria, and the discounted rate of the value of the pledged securities for the clearing margin as referred to in the preceding Paragraph shall be prescribed by the futures clearing house and registered with the Competent Authority for its approval.

Article 51. The clearing margins collected by the futures clearing house shall be deposited separately from the futures clearing house's own assets.

The creditors of a futures clearing house, the financial institution holding the clearing margins, or clearing members, unless otherwise provided by this Act, shall not attach or claim any rights on such clearing margins.

A futures clearing house shall separately deal with the clearing margins between proprietary and brokerage accounts that it collects from its clearing members.

Article 52. The creditors of a futures clearing member shall have priority rights to claim against the clearing and settlement fund for the contribution put by the clearing member where the debt obligation arises

from the clearing; the priority of the creditors shall be as follows in decreasing order:

1. The clearing house;
2. Futures traders;
3. Members of the clearing house.

Article 53. A clearing house shall deposit a compensation reserve fund; the rules regarding the proportion, custody, and utilization of the fund shall be prescribed by the Competent Authority.

Article 54. A futures clearing house may, in case a member is bankrupt, dissolved, suspended for business or defaulted upon its clearing and settlement obligation, transfer such member's account and the related accounts of futures traders to another member who has executed a succession agreement with the defaulting member. Where it is deemed necessary, the futures clearing house may appoint a non-contractual member as transferee to assume the liability and responsibility of the defaulting member. A clearing house may impose a monetary penalty, void the membership, or take other necessary measures upon a member who refuses to accept the succession as referred to in the preceding Paragraph.

Article 55. The provision provided in Chapter II regarding the futures exchange shall apply mutatis mutandis to futures clearing house unless otherwise provided for by this Chapter or with regards to the latter part of Article 34 of this Act.

CHAPTER IV FUTURES ENTERPRISES

Section I Futures Commission Merchants

Article 56. Unless otherwise provided for in the Act, only authorized futures commission merchants shall engage in the business of futures trading. A futures commission merchant shall be authorized and obtain a business license issued by the Competent Authority prior to the commencement of its business operation.

Unless recognized by the ROC government and with business license approved and issued by the Competent Authority, a foreign futures commission merchant may not commence to operate its business.

Unless approved and issued a business license by the Competent Authority, no branch office of a futures commission merchant shall be established or commence to operate its business.

The rules regarding organization forms, establishment criteria, and the governing regulations of the futures commission merchants shall be prescribed by the Competent Authority.

Article 57. Unless approved by the Competent Authority, a futures commission merchant shall not be allowed to concurrently engage in other business.

Except for those securities firms concurrently engage in securities related futures business or those with approval from the related regulatory authorities, no futures commission merchant business shall be operated concurrently by any other company engaging in any other business. The criteria for the said securities firms shall be prescribed by the Competent Authority.

Firms engaging in futures business in accordance with the preceding Paragraph shall establish an independent department in charge of the futures business; the department's operation and accounting shall also be separated.

Article 58. The name of a futures commission merchant shall explicitly bear the word of "futures." These futures commission merchants referred to under the proviso in Paragraph 2 of Article 57 shall be exempted from this requirement.

Article 59. The minimum requirement of equity capital or designated operating capital of a futures commission merchant shall be prescribed by the Competent Authority.

Article 60. A futures commission merchant shall, prior to commencing its business, deposit an operation bond with a financial institution designated by the Competent Authority; amount of the said bond shall be prescribed by the Competent Authority.

Creditors with debt claims arising from the futures business of a futures commission merchant shall have the rights of priority to recover damages from the operation bond referred to in the preceding paragraph.

A futures commission merchant shall restore the bond to its original level if such bond falls below the amount specified in Paragraph 1 hereof as a result of satisfying the liabilities described in the preceding Paragraph.

Article 61. The rules governing the qualification and administration of the responsible persons, associated persons, or other business facilitating agents shall be prescribed by the Competent Authority.

Article 62. The provision of Article 28 shall apply mutatis mutandis to the responsible persons or associated persons of futures commission merchants.

Article 63. No responsible persons, associated persons or any other employees of a futures commission merchant may in any way:

1. divulge any information regarding matters mandated by his/her traders or any secrets with regard to all matters coming to his/her knowledge in the course of performing his/her duties;
2. guarantee a futures trader a profit;
3. make a commitment to a futures trader to share profit or loss;
4. use the account or name of a futures trader to engage in proprietary trading;

5. offer the use of the name or account of his/her own or of any other person to a futures trader for futures trading; or

6. make exaggerated or biased advertisement or disseminate false information.

Article 64. A futures commission merchant shall, when accepting a futures trading mandate, assess the customer's capability of making futures trading. In case the assessment of the customer's credit situation and financial strength shows that he/she is incapable of engaging in futures trading, the futures commission merchant shall refuse to accept the mandate, unless an appropriate collateral has been provided by the said customer. A futures commission merchant, for the purpose of accepting futures trading mandates, shall enter into a mandate contract with the futures trader at the time of opening of the trading account. The contents of such a contract shall be prescribed by the Competent Authority.

Article 65. Only qualified associated persons shall accept a new account opening by futures traders on behalf of its futures commission merchant. Prior to the account opening, the futures commission merchant shall advise the trader of the nature of various kinds of futures, the terms of trading, and the potential risks involved, and submit a risk disclosure statement to the futures trader.

The content and the format of the risk disclosure statement referred to in the preceding Paragraph shall be prescribed by the Competent Authority.

Article 66. A futures commission merchant shall not employ any non-qualified associated person to accept trading mandates from futures traders and engage in futures trading. The minimum required number of associated persons of a futures commission merchant and the items required in the futures trading orders form shall be prescribed by the Competent Authority.

Article 67. A futures commission merchant mandated to engage in futures trading shall collect margins or premiums from the futures traders. For each customer the merchant shall keep a detailed account statement specifying the carrying net value on daily basis.

Article 68. A futures commission merchant mandated for futures trading shall prepare and submit a transaction statement to the futures trader after the consummation of the futures transaction, and it shall further prepare and submit a reconciliation statement to each futures trader by the end of each month.

The contents of the transaction statement and the monthly reconciliation statement referred to in the preceding Paragraph shall be prescribed by the Competent Authority.

Article 69. A futures commission merchant, when concurrently engaging in proprietary and brokerage businesses shall, in each transaction,

distinguish in writing the proprietary and brokerage transactions from one another.

Article 70. A futures commission merchant shall open an exclusive customer margin/premium account in a banking institution designated by the Competent Authority, and shall deposit its futures customers' margins or premiums into such an exclusive account. The said account shall be segregated from the account of the futures commission merchant's own assets.

The creditors of futures commission merchants or designated institutions referred to in the preceding Paragraph shall not file an attachment suit or claim any rights on the said segregated customer margin/premium accounts unless otherwise provided for in this Act.

Article 71. A futures commission merchant shall not withdraw any fund from the segregated customer margin/premium account, unless one of the following situations occurs:

1. instruction from the futures trader to deliver the excess margins/premiums;
2. payment for the futures trader of the margins/premiums due and/or settlement balance;
3. payment for the futures trader of brokerage commissions, interests, or other transactional fees payable to the futures broker; or
4. other items being approved by the Competent Authority.

Article 72. Where the owners' equity of a futures commission merchant is lower than the designated percentage of the minimum paid-in capital, or its adjusted net capital is lower than the designated ratio of the total customer margin required for the open positions of futures traders, the futures commission merchant shall immediately report the situation to the Competent Authority. The Competent Authority shall order such futures commission merchant to correct the situation within a limited period. If the futures commission merchant fails to conform to the order within the period, the Competent Authority may, depending on the severity of the case, restrict a part of its business or void its license.

The designated percentage, the calculating methodology for the adjusted net capital, the net capital ratio, and the relevant registration and time period for correction referred to in the preceding Paragraph shall be prescribed by the Competent Authority.

Article 73. A futures commission merchant shall not accept a discretionary authorization to decide the category, quantity, or price of futures transaction on behalf of futures traders. Nonetheless, those in compliance with regulations of the Competent Authority shall not be restricted by the above.

A futures commission merchant shall not engage in any unnecessary transaction on behalf of a futures trader. Futures commission merchants with discretionary authorization under the preceding Paragraph shall also be subject to this provision.

Article 74. A futures commission merchant shall not engage in any of the followings:

1. trading in non-compliance with the instructions or terms of the mandate by the futures trader;
2. conducting futures trades on behalf of a futures trader without the authorization of the futures trader.

Article 75. The Competent Authority may, in case a futures commission merchant is bankrupt, dissolved, suspended, or is required by acts or regulations to cease to accept trading orders from futures traders, order it to transfer the relevant accounts of its futures traders to another futures commission merchant with whom it has a succession agreement, unless the said futures commission merchant is also a member of a futures clearing house, and is acting pursuant to Article 54.

A futures commission merchant, unless with justified reason and approved by the Competent Authority, shall within two business days of receiving the transfer order from the Competent Authority, transfer the balance of the segregated customer margin/premium account and statements of the futures traders to the designated futures commission merchants as referred to in the preceding Paragraph. The costs of the transfer shall be borne by the transferring futures commission merchant. A futures commission merchant shall, within two months after commencement of its business operation, register with the Competent Authority for its recordation a photocopy of the succession agreement specifying that another futures commission merchant agrees to assume the relevant accounts of futures traders upon the occurrence of the events referred to in Paragraph 1.

Article 76. A futures commission merchant shall liquidate its open futures positions if the Competent Authority in accordance with this Act voids its business license or orders it to cease operation.

Article 77. A futures commission merchant whose business has been voided shall be deemed as a futures commission merchant to the extent and within the scope of liquidating its futures transactions; the futures commission merchant ordered to cease operation shall be deemed to be in operation to the extent and within the scope of liquidating its pending transaction.

Article 78. In case a futures commission merchant is dissolved or partially ceases to operate its business, its responsible person shall submit a report explaining the cause to the Competent Authority.

The provisions of Articles 76 and 77 shall apply mutatis mutandis to the situation provided in the preceding Paragraph.

Article 79. Article 17 and Article 18 shall apply mutatis mutandis to futures commission merchants.

Section II Leverage Transaction Merchants

Article 80. Unless approved by the Competent Authority, a leverage transaction merchant shall not engage in futures transaction business.

A leverage transaction merchant shall be authorized and obtain a business license issued by the Competent Authority prior to the commencement of its business operation.

No branch of a leverage transaction merchant shall be established or commence operation without having been approved and issued a business license by the Competent Authority.

The rules regarding establishment criteria and governing regulations for leverage transactions shall be prescribed by the Competent Authority.

Article 81. The provisions of Article 17, Article 18, and Articles 57 to 78 shall apply mutatis mutandis to leverage transaction merchants.

Article 82. A futures trust enterprise, managed futures enterprise, futures advisory enterprise or other futures services enterprises shall not commence operation having been approved and issued a business license by the Competent Authority.

No branch office of a futures services enterprise shall be established and commence to operate its business without having been approved and issued a business license by the Competent Authority.

The rules regarding establishment criteria and governing regulations for futures services enterprises shall be prescribed by the Competent Authority.

Article 83. In addition to this Act or any other regulations promulgated thereunder, other acts governing trust and trust businesses shall be applicable to the regulation of the futures business.

Article 84. Unless approved by the Competent Authority, a futures trust enterprise shall not engage in any activity to raise a futures trust fund.

A futures trust enterprise shall provide a prospectus before raising any futures trust fund. The content required in such prospectus shall be prescribed by the Competent Authority.

Article 85. The futures trust funds raised from the public shall be kept segregated and independent from the assets of the futures trust enterprise and the fund custodian institution.

The rules governing the management of the futures trust fund shall be prescribed by the Competent Authority.

Article 86. No creditors shall file an attachment proceeding or claim any other right against the assets of the futures trust fund to satisfy the liabilities

incurred by the futures trust enterprise and the fund custodian institution from such institutions' own assets.

Article 87. Before accepting a mandate by a specific customer to conduct futures trading, a managed futures enterprise shall advise the customer of the nature of futures trading and the inherent risks involved, tender the risk disclosure statement, and sign a written mandate contract with the customer.

The content and format of the written contract and the risk disclosure statement referred to in the preceding Paragraph shall be prescribed by the Competent Authority.

The provisions of Article 84 to Article 86 shall apply mutatis mutandis where the managed futures enterprise raises funds from the public to engage in futures trading.

Article 88. The provisions of Article 17, Article 18, Article 57 to Article 61, Article 63 to Article 66, and Article 74 shall apply mutatis mutandis to the futures services enterprises.

CHAPTER V FUTURES ASSOCIATIONS

Article 89. A futures related enterprise shall not commence to operate its business unless it joins a futures association.

A futures enterprise shall temporarily join a futures association designated by the Competent Authority where there is no such association organized within its locality. Unless otherwise provided in this Act, the Business Organization Act shall be applicable to the establishment, organization and supervision of the futures associations referred to in preceding Paragraph.

Article 90. The Federation of Futures Industry Associations shall consist of the following members;

1. futures exchange;
2. futures clearing houses;
3. provincial futures association or municipal futures association; and
4. other parties designated by the Competent Authority.

The establishment of the Federation of Futures Industry Associations shall be approved by the Competent Authority before lodging the registration application to the Ministry of the Interior.

Article 91. The Federation of Futures Industry Associations may collect some fees, in addition to the fees set forth by the Business Organization Act, to the extent deemed necessary to effect the function of self-regulation and to coordinate in the development of the futures market. The category and rate of such fees shall be proposed by the association and approved by the Competent Authority.

Article 92. The Federation of Futures Industry Associations shall have at least three directors and one supervisor elected among its members pursuant to its articles of association. Nonetheless at least, one fourth of its directors and supervisors shall consist of related experts among whom half shall be appointed by the Competent Authority, and the remaining shall be appointed by the directors and supervisors and approved by the Competent Authority. The rules governing such appointment shall be prescribed by the Competent Authority.

The terms of office for the directors and the supervisors shall be three years, and they may be eligible for re-election. The chairman of the board of directors, however, may be re-elected only once.

Article 93. The required particulars of the Articles of Association for the futures associations and the Federation of Futures Industry Associations, the regulations for the guidance and supervision of their business, and the supervision of their responsible persons and associated persons shall be prescribed by the Competent Authority.

Article 94. A futures association may impose necessary sanctions upon its members or the representatives of the members pursuant to the Articles of Association.

CHAPTER VI SUPERVISION AND ADMINISTRATION SECTION I SUPERVISION

Article 95. The Competent Authority shall establish market surveillance guidelines to protect public interest and maintain market order.

Article 96. In the event of any of the following circumstances in the futures market or a futures trading thereof, the Competent Authority may issue orders to adjust the margin level, restrict trading volume or open positions of the transacting party or adopt any other necessary measures; where such circumstances are special, the Competent Authority may order the complete or partial suspension of futures trading:

1. where the futures market or futures trading has been or has the danger of being manipulated or monopolized;
2. where any measure taken by the Taiwan government or a foreign government is sufficient to affect the futures market, futures trading, or certain underlying assets for futures trading;
3. where the foreign or domestic market fluctuates substantially due to acts of god, war, civil commotion, or other force majeure events, which will severely impede the futures market, futures trading, or certain underlying assets for futures trading; or
4. other events which will severely affect the futures market order or harm the public interest.

Article 97. Futures exchanges, futures clearing houses, futures enterprises, and futures associations shall periodically prepare and file with the Competent Authority financial statements that have been audited and attested, or reviewed, by a certified public accountant, and shall preserve the trading and business records. The rules regarding the preparation of the financial statements, registration procedures, particulars for public announcement, and record keeping referred to in the preceding Paragraph shall be prescribed by the Competent Authority.

Article 97-1. Futures exchanges, futures clearing houses, and futures enterprises shall establish financial and operational internal control systems.

The Competent Authority may prescribe guidelines governing internal control systems of companies or institutions referred to in the preceding Paragraph. Unless approved by the Competent Authority, a company or institution referred to in Paragraph 1 shall report an Internal Control Declaration to the Competent Authority within four months after the close of each accounting year.

Article 98. In order to protect the public interest or maintain the market order, the Competent Authority may, from time to time, order a futures exchange, futures clearing house, futures enterprise, futures association or any related persons having financial or business intercourse with the parties above to furnish financial or business statements, or examine their business, assets, accounting books, documents or other related articles. In case there is substantial likelihood that there has been a violation of act or regulations, the Competent Authority may seal or take possession of the relevant documents.

The scope of the related persons referred to in the preceding Paragraph shall be prescribed by the Competent Authority.

Article 99. In order to maintain the public interest and market order, in case there is the likelihood that this Act is likely to be violated, the Competent Authority may request the institution, organization, or individual related to the futures trading to submit relevant books and documents, or to call those related persons to explain their transactions. The guidelines for the above shall be prescribed by the Competent Authority.

The persons being requested to appear under the preceding Paragraph may retain attorneys-at-law, certified public accountants, or any other persons who under the law can legally represent and defend them.

Article 100. In case any futures exchange, futures clearing house, or futures enterprise acts in violation of this Act, in addition to being subject to be punished in accordance with the provisions set forth under this Act, the Competent Authority may, depending upon the severity of the violation, additionally impose the following sanctions and, in addition thereto, order such violator to correct its conduct within a limited period of time:

1. warning;

2. remove the responsible persons or other related persons;

3. issue order to suspend the business in part or in whole for no more than six months; or

4. void the business license.

Where any party fails to comply with the order to correct its conduct within the time specified, the Competent Authority may successively re-impose the sanctions referred to in the preceding Paragraph upon such party or impose heavier sanctions until the violation has been corrected.

Article 101. The responsible persons or employees of a futures exchange, futures clearing house, or futures enterprise violating this Act or any regulation promulgated pursuant to this Act shall be punished, in accordance with this Act and in addition thereto, the Competent Authority, depending on the seriousness of the violation, may order, for no more than six months, the suspension of his/her capacity to execute transactions or to remove him/her from the position held; In addition, the Competent Authority may impose upon the futures exchange, futures clearing house, or futures enterprise sanctions in accordance with the preceding Article.

After any of the persons referred to in the preceding Paragraph has been removed from his/her office, the futures exchange, futures clearing house, or futures enterprise shall report the same to the Competent Authority.

Article 102. In order to protect the public interest, the Competent Authority may issue an order notifying a futures exchange, futures clearing house, or futures association to amend its Articles of Association, operating rules, standards of mandate contract, or any other rules, or suspending, restricting, amending, or voiding any resolution or disposition made by such exchange, clearing house, or association.

Article 103. The Competent Authority may appoint persons to a futures exchange and/or futures clearing house for supervisory purposes. The rules for supervision shall be prescribed by the Competent Authority. Section II Administration

The Competent Authority may restrict the futures trading volumes and open positions of futures traders.

A futures trader shall register its futures trading volumes and open positions. The scope, content, and procedure of the registration statement shall be prescribed by the Competent Authority.

Article 105. No person may mandate a futures enterprise which has not been approved by the Competent Authority to engage in futures trading.

Article 106. With regard to futures trading, no person shall, with an intent to manipulate the price of futures, engage in any one of the following acts:

1. acting independently or conspiring with others to continuously inflate, maintain, or deflate the prices of a certain futures contract, or its related spot commodities;

2. acting independently or conspiring with others to increase, maintain, or decrease the open positions of a certain futures contract or the supply or demand of its related spot commodities;

3. acting independently or conspiring with others to disseminate or spread false information; or

4. directly or indirectly engaging in manipulative acts to influence the prices of a certain futures contract or its related spot commodities.

Article 107. The following persons directly or indirectly having access to material information which may materially affect the prices of a certain futures contract shall not either trade for his own account or have others trade on futures or its related spot commodities which are related to such information prior to the disclosure of the information. Nonetheless, persons who with justifiable cause believe the information has been publicly disclosed shall not be restricted by the above:

1. directors, supervisors, managers, employees, or mandataries of a futures exchange, futures clearing house, futures enterprise, futures association or any other related institutions;

2. public officials, employees or mandataries of the Competent Authority or the competent authorities of other related businesses;

3. directors, supervisors, managers or employees of the mandataries referred to in the preceding two Items; or

4. any person who has been informed of the information by the persons referred to in the preceding three Items.

The preceding Paragraph shall apply mutatis mutandis to the representatives of the directors and supervisors.

Article 108. Any person involved in futures trading shall not engage in bucketing, misrepresentation, fraud, deceit, or other conducts which will mislead the futures traders or other third parties.

The term "bucketing" referred to in the preceding Paragraph shall mean:

- off market offsetting;
- cross-trading;
- taking the other side of a customer's order;
- accommodation trading. Chapter VII Arbitration

Article 109. For any dispute arising out of a futures trading conducted pursuant to this Act, the parties may resort to arbitration as stipulated under the contract. Unless otherwise provided by this Act, the procedures of the arbitration referred to in the preceding Paragraph shall be regulated by the Commercial Arbitration Act.

Article 110. Where the arbitrators selected by the parties to the dispute cannot agree on the appointment of the third arbitrator as provided under the agreement to arbitrate, the Competent Authority may appoint the third arbitrator upon the application of the parties or on its authority.

If any futures enterprise delays its compliance with the arbitration award, the settlement reached pursuant to Article 28 of the Commercial Arbitration Act, or mediation rendered pursuant to Article 28-1 of Commercial Arbitration Act, the Competent Authority may suspend the business of the futures enterprise or impose any other necessary punishments prior to its compliance, unless the decisions referred to above have been challenged pursuant to Article 23 of the Commercial Arbitration Act.

CHAPTER VIII PENAL PROVISIONS

Article 112. A person shall be punished with imprisonment for a period not exceeding seven years and in addition thereto may be fined a criminal fine of not more than three million New Taiwan Dollars (NT$3,000,000) for any of the following offenses:

1. without approval, to engage in the operation of a futures exchange or any related business of a futures exchange;
2. without approval, to engage in the operation of a futures clearing house;
3. the violation of the provisions of Paragraph 1 of Article 56;
4. without approval, to engage in the business of a leverage transaction merchant;
5. without approval, to engage in the business of a futures trust enterprise, managed futures enterprise, futures advisory enterprise or any other related futures services enterprises;
6. the violation of the provision of Paragraph 1 of Article 84 by any futures trust enterprise in raising a futures trust fund; or
7. the violation of Article 106, Article 107, or Paragraph 1 of Article 108.

Article 113. Any director, supervisor, manager, mandatary, or employee of a futures exchange, futures clearing house, or futures trust enterprise who demands, agrees to accept, or receives any illegitimate profit in connection with the performance of his duty shall be punished with imprisonment for a period not exceeding five years, detention, or in addition thereto a criminal fine of not more than two million four hundred thousand New Taiwan Dollars (NT$2,400,000).

Any person referred to in the preceding Paragraph who demands, agrees to accept, or receives any illegitimate profits for actions in contravention of his duty, shall be punished with imprisonment for a period not exceeding seven years, detention, and/or a criminal fine of not more than three million

New Taiwan Dollars (NT$3,000,000) The profits received by the person who committed the offenses specified in the preceding two Paragraphs shall be confiscated. If the whole or partial portion of the profits cannot be confiscated, the value thereof shall be disgorged from the offender.

Article 114. Any person who offers, promises, or delivers illegitimate profit to any person who acts in contradiction to his duty as specified in the preceding Article shall be punished with imprisonment for a period not exceeding three years, detention, and/or a criminal fine not exceeding two million New Taiwan Dollars (NT$2,000,000). The punishment of the offense specified in the preceding Paragraph may be pardoned if the offender voluntarily surrenders himself to the law enforcement authorities.

Article 115. A person shall be punished with imprisonment for a period not exceeding three years, detention, and/or a criminal fine of not more than two million and four hundred thousand New Taiwan Dollars (NT$2,400,00) for any of the following offenses:

1. making false representation or omission in the contents of the application materials required under Paragraph 1 of Article 8, Paragraph 1 of Article 45, Paragraphs 2 to 4 of Article 56, Paragraphs 2 and 3 of Article 80, Paragraphs 1 and 2 of Article 82, and Paragraph 1 of Article 84;
2. the violation of the provisions of Article 71;
3. the violation of Article 81 mutatis mutandis applying Article 71 thereunder by a leverage transaction merchant;
4. making false statement in the accounting books, documents or other related articles or reporting materials required to be produced under an order from the Competent Authority issued pursuant to Article 98; or
5. making false statement in the accounting books, documentary evidence, financial statement or any other business documents filed by any futures exchange, futures clearing house, futures enterprise, or futures association as required by law or by orders issued by the Competent Authority under the laws.

Article 116. A person shall be punished with imprisonment for a period not exceeding three years, detention, and/or a criminal fine of not more than two million New Taiwan Dollars (NT$2,000,000) for any of the following offenses:

1. the violation of the provisions of Article 5 or Article 63;
2. the violation of Paragraph 2 of Article 13, except where the provider does not know that it is an illegal futures exchange or is engaging in illegal futures exchange business;
3. the violation of Article 81 mutatis mutandis applying Article 63 thereunder by the responsible person, associated person, or any other employees of a leverage transaction merchant; or

4. the violation of Article 88 mutatis mutandis applying Article 63 thereunder by the responsible persons, associated person or any other employees of a futures services enterprise.

Article 117. A person shall be punished with imprisonment for a period not exceeding one year, detention, and/or a criminal fine of not more than one million eight hundred thousand New Taiwan Dollars (NT$1,800,000) for any of the following offenses:

- the violation of the provisions of Article 12, Article 19, or Article 29; or
- the violation of Article 55 mutatis mutandis applying Article 19 or Article 29 thereunder by a futures clearing house.

Article 118. Where a representative, agent, associated person or any other employee of a juristic person committed the following offenses in connection with the performance of his/her duty, in addition to the punishment imposed on the person in violation of the law pursuant to Article 116 and Article 117, the criminal fines stipulated under each applicable Article shall also be imposed on the juristic person:

1. the violation of the provisions of Article 19, Article 29, or Article 63;
2. the violation of the provisions of Article 55 mutatis mutandis applying Article 19 or Article 29 thereunder; or
3. the violation of the provisions of Article 81 or Article 88 mutatis mutandis applying Article 63 thereunder.

Before the crimes referred to in the preceding Paragraph have been discovered, if the juristic person on its own accord file a complaint or report the crime, the punishment hereunder may be reduced or remitted. Article 119

A person shall be punished with an administrative fine of not less than one hundred twenty thousand New Taiwan Dollars (NT$120,000) but not more than six hundred thousand New Taiwan Dollars (NT$600,000) for committing any of the following offenses:

1. the violation of the provisions of Article 10, Article 18, first part of Paragraph 2 of Article 45, Paragraph 4 of Article 56, Paragraph 1 of Article 57, Article 64, Paragraph 1 of Article 65, Paragraph 1 of Article 66, Article 67, Paragraph 1 of Article 70, Paragraph 1 of Article 72, Article 73, Article 74, Paragraph 1 of Article 78, Paragraph of Article 80, Paragraph 2 of Article 82, Paragraph 1 of Article 85, Paragraph 1 of Article 87, Paragraph 1 or Paragraph 3 of Article 97-1, Paragraph 2 of Article 104, or Article 105 of this Act;
2. the violation of the orders issued pursuant to the provisions of Paragraph 2 of Article 8, last part of Paragraph 2 of Article 45, Paragraph 5 of Article 56, Paragraph of Article 80, Paragraph 3 of Article 82, or Paragraph 2 of Article 85 of this Act;

3. a futures clearing house acting in violation of the provision of Article 55 mutatis mutandis applying Article 18 of this Act;

4. a futures commission merchant acting in violation of the provisions of Article 79 mutatis mutandis applying Article 18 of this Act;

5. a leverage transaction merchant acting in violation of the provisions of Article 81 mutatis mutandis applying Article 18, Paragraph 1 of Article 57, Article 64, Paragraph 1 of Article 65, Paragraph 1 of Article 66, Article 67, Paragraph 1 of Article 70, Paragraph 1 of Article 72, Article 73 and Article 74, or Paragraph 1 of Article 78 of this Act;

6. a futures service enterprise acting in violation of the provisions of Article 88 mutatis mutandis applying Article 18, Paragraph 1 of Article 57, Article 64, Paragraph 1 of Article 65, Paragraph 1 of Article 66, or Article 74 of this Act;

7. failure to furnish accounting books, documentary evidence or other related articles or reporting materials within the period specified in an order issued by the Competent Authority, or any refusal or impediment of the inspection initiated by the Competent Authority pursuant to the provisions of Article 98;

8. failure on the part of a futures exchange, futures clearing house, futures enterprise, or futures association to prepare, register, publicly announce, maintain, or keep the accounts, documentary evidence, financial statement or other relevant business documents according to law or as required by orders issued by the Competent Authority;

9. refusal to comply with the investigation initiated by the Competent Authority pursuant to Article 99, to provide related documents, or to attend the hearing at the office of the competent authority for examination without justifiable cause.

Where a person who has committed any act referred to in Item 1, or Item 3 to Item 8 of the preceding Paragraph and has been punished with an administrative fine and ordered by the Competent Authority to take corrective actions within a given time limit but fails to act within the defined period, the Competent Authority may set a new compliance period and successively impose an administrative fine of not less than two hundred forty thousand New Taiwan Dollars (NT$ 240,000) but not more than one million two hundred thousand New Taiwan Dollars (NT$ 1,200,000) for each successive failure to comply.

Article 120. If any person refuses to pay an administrative fine imposed under this Act within the required time, the case shall be referred to the courts for compulsory execution.

CHAPTER IX SUPPLEMENTARY PROVISIONS

Article 121. The Foreign Futures Trading Act shall become inapplicable upon the implementation of this Act.

Article 122. Where any license or credential of qualification obtained or issued pursuant to the Foreign Futures Trading Act, or the Securities and Exchange Act and its related regulations is inconsistent with the requirements of this Act, the recipients shall apply for a new license or credential with the Competent Authority within one year after the implementation of this Act.

Article 123. The Competent Authority referred to in Article 4 shall retain the title "Securities and Exchange Commission of the Ministry of Finance" before the Organizational Act of the Securities and Exchange Commission of the Ministry of Finance is amended to change its name to the "Securities and Futures Commission of the Ministry of Finance."

Article 124. The Enforcement Rules of this Act shall be prescribed by the Ministry of Finance.

Article 125. The implementation date of this Act shall be prescribed by the Executive Yuan. Amended articles of this Act shall become effective as of the date of promulgation.

THE CENTRAL BANK OF THE REPUBLIC OF CHINA (TAIWAN) ACT
(中央銀行法)

Amended Date 2014.01.08

Category Central Bank of the Republic of China (Taiwan)(中央銀行)

CHAPTER I GENERAL PROVISIONS

Article 1. The Central Bank of the Republic of China (Taiwan) (hereafter called the Bank) shall be a government bank and an agency under the Executive Yuan.

Article 2. The primary objectives of the Bank's operations shall be:

1. To promote financial stability;
2. To guide sound banking operations;
3. To maintain the stability of the internal and external value of the currency;
4. To foster economic development within the scope of the above objectives.

Article 3. The Bank shall have its Head Office at the seat of the Central Government and may establish domestic branch offices and representative offices; and, if necessary, may establish representative offices overseas. The establishment and dissolution of branch offices and representative offices shall be authorized by the Board of Directors and reported to the Executive Yuan for approval.

Article 4. The capital of the Bank shall be appropriated from the National Treasury. It shall be fully owned by the Central Government and nontransferable.

CHAPTER II ORGANIZATION

Article 5. The Bank shall have a Board of Directors consisting of eleven to fifteen directors to be nominated by the Executive Yuan and appointed by the President. A Board of Executive Directors composed of five to seven executive directors shall be designated among the directors.

The Governor of the Bank, the Minister of Finance and the Minister of Economic Affairs shall be ex officio directors and executive directors. Among the directors, there shall be at least one each from the agricultural, the industrial and commercial, and the banking sectors.

Except for the ex officio directors, the directors shall be appointed for a term of five years, and may be reappointed upon the expiration of such term.

Article 6. The powers and functions of the Board of Directors shall be as follows:

a. To examine and approve policies concerning money, credit and foreign exchange;

b. To examine the adjustment of the Bank's capital;

c. To approve the operation plans of the Bank;

d. To examine the budget estimate and financial statements of the Bank;

e. To examine and approve major by-laws and regulations of the Bank;

f. To examine or approve the establishment, adjustment and dissolution of the Bank's administrative units, branch offices, representative offices and subsidiary institutions;

g. To approve the appointment and the removal of the heads of the Bank's administrative units, branch offices, representative offices and subsidiary institutions;

h. To examine matters proposed by the Directors.

The Board of Directors may delegate all or part of the above powers and functions to the Board of Executive Directors. The resolution of the Board of Executive Directors shall be reported to the Board of Directors for record and approval. The Board of Directors shall establish rules and regulations of board meetings. Such rules and regulations shall be reported to the Executive Yuan for record.

The Bank shall have a Board of Supervisors, composed of five to seven supervisors to be nominated by the Executive Yuan and appointed by the President. The Minister of Directorate-General of Budget, Accounting and Statistics of the Executive Yuan shall be an ex officio supervisor.

Except for the ex officio supervisor, the supervisors shall be appointed for a term of three years andmay be re-appointed upon the expirations of such term.

The Board of Supervisors shall have a chairman to be elected from among the supervisors.

Article 8. The powers and functions of the Board of Supervisors shall be as follows:

a. To examine the Bank's assets and liabilities;

b. To audit the Bank's accounts;

c. To examine the reserves for the issuance of currency by the Bank;

d. To examine the amount of currency issued by the Bank;

e. To examine and approve the Bank's financial statements;

f. To investigate any case involving violation of this Act and the by-laws and regulations of the Bank. The result of such investigation shall be referred to the Board of Directors for corrective action.

Article 9. The Bank shall have a Governor with the rank of special appointment and two Deputy Governors with the rank equivalent to Grade 14; all of whom shall be appointed for a term of five years and may be reappointed upon the expiration of such term. The provision of the preceding

paragraph that the rank of Deputy Governor is equivalent to Grade 14 shall apply to Deputy Governors appointed after the revision of this Act, amended on 8 April 2011, has come into force.

Article 10. The Governor shall be the chief executive in directing and supervising the operations of the Bank, shall carry out resolutions of the Board of Directors, and shall represent the Bank on all occasions. The Deputy Governors shall assist the Governor in the execution of the above duties.

The Governor shall be the chairman of the Board of Directors and the Board of Executive Directors.Whenever the Governor is unable to attend in person, the Deputy Governor designated to act for the Governor shall be the chairman.

Article 11. Administrative units established in the Head Office of the Bank shall be named as Department or Office.

The ranks and quotas of the Bank's personnel shall be tabulated separately.

Article 11-1. Except for the appointment, removal, remuneration, retirement and indemnity of the Governor and Deputy Governors as specified in this Act and other laws, the regulations for the appointment, dismissal, remuneration, bonus, welfare, performance rating, incentives and discipline, retirement, indemnity, severance and other personnel management matters related to the Bank's personnel shall be proposed by the Bank, authorized by the Board of Directors and reported to the Executive Yuan for approval.

CHAPTER III OPERATIONS

Article 12. Unless otherwise specified by law, the Bank's operations shall be circumscribed to business with the following organizations:

1. Government agencies.
2. Banks and other financial institutions.
3. International and foreign financial institutions.

Article 13. The currency of the Republic of China (Taiwan) shall be issued by the Bank. The currency issued by the Bank shall be the national currency, and shall be legal tender for all payments within the territory of the Republic of China (Taiwan). The Bank shall establish plants under its management to carry out the printing and minting of the currency.

The Bank may, whenever necessary, delegate other government banks to issue currency in designated regions on its behalf, to be regarded as national currency. The assets and liabilities pertaining to the issuance of such currency shall be for the account of the Bank.

Article 15. The basic monetary unit of the national currency is Yuan and the subsidiary currencies are Chiou and Fen. Ten Fens equal to one Chiou and ten Chious equal to one Yuan.

The denomination, composition, form, and pattern of the notes and coins issued by the Bank shall be proposed by the Bank, for approval by the Executive Yuan. The Bank shall make public the specifications of notes and coins prior to issuance.

Article 16. Against currency issued by the Bank and its delegated banks, reserves in full equivalent value shall be maintained in gold, silver, foreign exchange, and eligible bills and securities.

The issuance of coins shall be exempt from reserves.

Article 17. The amount and reserve status of currency issued by the Bank and its delegated banks shall be made public in regular intervals.

Article 18. The Bank shall exchange stained or damaged notes and coins deemed to be unfit for circulation in accordance with certain standards, and destroy them according to law. The Bank may redeem currency issued. Currency redeemed shall no longer be legal tender. However, the redemption period shall not be less than one year, during which time holders may exchange redeemed currency with the Bank.

Article 18-1. The maximum amount of national currency that may be carried or mailed into or out of the territory of the Republic of China (Taiwan) shall be prescribed by the Bank.

Currency in excess of the aforesaid maximum cannot be transported into or out of the territory.

Article 18-2. When financial institutions or other enterprises which are authorized to engage in foreign exchange operations receive counterfeit or falsified national currency or foreign currency, they shall retain, void and destroy those currencies, save that suspicion of criminal involvement shall be reported to the judicial authority. Regulations on handling counterfeit or falsified currency shall be stipulated by the Bank.

Article 18-3. The Bank may issue gold and silver coins and commemorative notes and coins. Regulations governing the issuance of gold and silver coins and commemorative notes and coins shall be stipulated by the Bank.

The sale or resale price of aforesaid notes and coins may be higher than their denomination.

Article 19. The Bank may provide the following accommodations to banks:

a. Rediscounts of eligible bills, with maturity not exceeding 90 days for industrial and commercial bills, and 180 days for agricultural bills.

b. Temporary advances not exceeding 10 days.

c. Refinancing of secured loans not exceeding 360 days.

The Bank may impose limits on rediscounts or other accommodations to banks.

Article 20. The Bank, in order to assist economic development, may establish various funds, using savings deposits re-deposited by financial institutions and other special funds to refinance medium and long-term loans disbursed by banks.

Article 21. The interest rates of the Bank's rediscounts and other accommodations shall be determined by the Bank in the light of prevailing financial and economic conditions, and made public. However, a branch office of the Bank may establish its own interest rates on rediscounts and accommodations according to special local financial conditions, with prior approval by the Head Office, and make them public.

Article 22. The Bank may, at its discretion and in the light of financial and economic conditions, prescribe an upper limit for the interest rates of bank deposits, and approve the range of interest rates on bank loans as proposed by the Bankers Association.

Article 23. The Bank shall receive and keep reserves against deposits and other liabilities of financial institutions which are regulated by the Banking Act, and may, at its discretion, adjust various deposit and other liability reserve ratios under the following maximum limits in accordance with the regulation governing adjustment and audit thereof, which shall be stipulated by the Bank:

1. Checking deposits: 25%
2. Demand deposits: 25%
3. Savings deposits: 15%
4. Time deposits: 15%
5. Other liabilities: 25%

The scope of aforesaid other liabilities shall be prescribed by the Bank. The Bank may, whenever necessary and from a specific date, impose on the increment of the checking deposits, demand deposits and other liabilities, a marginal reserve ratio which shall not be bound by the maximum limits on paragraph 1 of this Article.

The Bank may charge the financial institutions having insufficient reserves, on the portion of the shortfall, a penalty interest rate not higher than two times of that prescribed in Article 21 on unsecured temporary advances as stated in subparagraph 2, paragraph 1 of Article 19.

The Bank shall, in conformity with law, receive and keep reserves for indemnity deposited by investment and trust companies.

Article 25. The Bank, after consulting with the Financial Supervisory Commission, may at its discretion, prescribe for banks a minimum ratio of their liquid assets to various liabilities.

Article 26. The Bank may, in the light of financial conditions, purchase and sell in the open market the bonds issued or guaranteed by the government, financial bonds issued by banks and bills accepted or guaranteed by banks.

Article 27. The Bank may, for the purpose of regulating monetary conditions, issue certificates of deposits, savings bonds and short-term bonds, and may purchase and sell them in the open market.

Article 28. The Bank may, whenever necessary, prescribe maximum loanable ratios selectively on the items used as collateral or mortgage of secured loans extended by banks.

Article 29. The Bank may, whenever necessary, prescribe and regulate the amount of down-payment and the term of credit extended by banks for the purchase or construction of buildings and the purchase of durable consumer goods.

Article 30. The Bank shall prescribe and regulate the accommodations extended by banks to securities dealers or securities finance companies.

Article 31. The Bank may, whenever it deems that the monetary and credit conditions so warrant, prescribe a limit on various kinds of credit extended by all, or any category of, financial institutions.

Article 32. The Bank shall establish clearing houses for checks and settlement of accounts among banks at the sites of Head Office or branch offices. The Bank may delegate government banks to carry out this function in places where the Bank has no branch office. Regulations governing checks clearance and settlement of accounts among banks shall be stipulated by the Bank.

Article 33. The Bank shall hold international monetary reserves, and undertake the overall management of foreign exchange.

Article 34. The Bank may, in the light of the balance of payments situation, take measures to adjust the demand for and supply of foreign exchange with a view to maintaining an orderly foreign exchange market.

Article 35. The Bank shall undertake the following foreign exchange operations:

1. To draw up plans for foreign exchange management and on anticipated receipts and payments;
2. To authorize and supervise banks and other enterprises engaged in foreign exchange operations;
3. To settle the purchase and sale of foreign exchange;
4. To examine and approve private outward and inward remittances;
5. To supervise private enterprises' foreign borrowings guaranteed by authorized banks, with reference to their management and their repayment schedule;

6. To purchase and sell foreign currencies, bills of exchange and securities;

7. To calculate, compile, analyse and report the receipts and payments of foreign exchange;

8. Other operations relating to foreign exchange.

Regulations governing requirements of application, the examination procedure, approval of authorization, the scope of operations, withdrawal of authorization, and other matters which banks and other enterprises applying to engage in foreign exchange operations must comply with, shall be stipulated by the Bank.

Article 36. The Bank shall effect the operations of the National Treasury and manage the National Treasury's cash accounts. It shall also manage the Central Governmental agencies' cash accounts, bills, securities, including receipts and payments, safekeeping and transfers, and the safekeeping of their other asset documents. The Bank may delegate, whenever necessary, the operations mentioned above to other financial institutions in places where the Bank has no branch office.

Article 37. The Bank shall undertake the floatation and the redemption of government bonds, issued domestically or abroad, and treasury bills. The Bank may delegate, whenever necessary, the above to other financial institutions.

Article 38. In conformity with the powers and functions authorized by this Act, the Bank, if necessary, may undertake the inspection of the operations of financial institutions and the targeted examination of such operations as outlined in Chapter 3 of this Act; and may direct financial institutions to prepare and submit, within a prescribed period of time, accurate financial reports, property inventories or other relevant documents and reports.

If the responsible person(s) or staff member(s) of a financial institution or its branch office commit(s) any of the following acts when the Bank dispatches officials to inspect or examine its operations, or directs the financial institution to prepare and submit accurate financial reports, property inventories or other relevant documents and reports in accordance with the preceding paragraph, the financial institution or its branch office shall be liable to an administrative fine of Two Million New Taiwan Dollars (NT$2,000,000) to Ten Million New Taiwan Dollars (NT$10,000,000), imposed by the Bank:

a. Refusing to be inspected or examined;

b. Concealing or destroying account books and documents related to business or financial conditions;

c. Refusing to reply or providing false information to inquiries made by the examiner without justifiable reasons;

d. Failure to provide accurate and complete financial reports, property inventories or other relevant documents or reports in a timely manner.

The financial institution or its branch office shall seek recourse from the responsible person(s) after paying such administrative fines.

Article 39. The Bank shall, to coordinate the formulation of financial policies and the execution of its operations, regularly collect economic information, compile financial statistics and conduct financial and economic research.

CHAPTER IV BUDGET AND FINANCIAL STATEMENT

Article 40. Before the beginning of each fiscal year, the Bank shall prepare a budget estimate. The budget estimate shall be examined by the Board of Directors and processed in accordance with the Budget Act.

Article 41. After the close of each fiscal year, the Bank shall settle all accounts and prepare financial statements. The financial statements shall be examined by the Board of Directors, examined and approved by the Board of Supervisors, and processed in accordance with the Financial Statement Act.

Article 42. At the close of each fiscal year, the Bank shall set aside fifty per cent of its net profit as legal reserve. In case the amount of the accumulated legal reserve equals or exceeds the Bank's current capital, the percentage herein prescribed may, subject to the resolution of the Board of Directors and the concurrence of the Board of Supervisors, be reduced to a level no lower than twenty per cent.

Article 43. The gain or loss from the Bank's assets or liabilities denominated in gold, silver, foreign currencies and other forms of international reserve, resulted from changes in parity of the national currency, or changes in the value, parity or exchange rate of these assets and liabilities relative to the national currency, shall not be listed in the Bank's annual income stateatement.

Any gain from the above changes shall be posted in the Exchange Reserve Account, and any loss shall be offset in the balance of that Account.

CHAPTER V APPENDIX

Article 44. This Act shall become effective on the date of promulgation.

The effective date of the Article 23 amendment shall be prescribed by the Executive Yuan.

INSURANCE ACT
(保險法)

Amended Date 2014.06.04

Category Financial Supervisory Commission (金融監督管理委員會)

CHAPTER I. GENERAL PRINCIPLES SECTION

1. Definitions and Categories

Article 1. The term "insurance" as used in this Act means an act whereby the parties concerned agree that one party pays a premium to the other party, and the other party is liable for pecuniary indemnification for damage caused by unforeseeable events or force majeure.

A contract entered into on the basis of the preceding paragraph is called an "insurance contract."

Article 2. The term "insurer" as used in this Act means any of various organizations engaged in the business of insurance that has the right to claim a premium upon entering into an insurance contract and is liable for indemnification, in accordance with the contracted insurance obligations, when an insured peril occurs.

Article 3. The term "proposer" as used in this Act means a person having an insurable interest in the subject matter insured who applies to an insurer to enter into an insurance contract and is obligated to pay a premium.

Article 4. The term "insured" as used in this Act means a person who, upon incurring damage as the result of an insured peril, enjoys the right to claim indemnification. A proposer may also be the insured.

Article 5. The term "beneficiary" as used in this Act means a person stipulated by the insured or the proposer as the person who enjoys the right to claim indemnification. A proposer or insured may also be a beneficiary.

Article 6. The term "insurance enterprise" as used in this Act means an entity organized and registered pursuant to this Act and engaged in insurance business.

The term "foreign insurance enterprise" as used in this Act means an entity organized and registered pursuant to foreign law and engaged in insurance business in the Republic of China with permission from the competent authority.

Article 7. The term "responsible person of an insurance enterprise" as used in this Act means a person who shall be held responsible in accordance with the Company Act or the Cooperative Act.

Article 8. The term "insurance agent" as used in this Act means a person who, on the basis of a contract of agency or a letter of authorization, collects remuneration from an insurer and acts as a business agent on the insurer's behalf.

Article 8-1. The term "insurance solicitor" as used in this Act means a person who solicits insurance business on behalf of an insurance enterprise, an insurance broker company, or an insurance agent company.

Article 9. The term "insurance broker" as used in this Act means a person who, on the basis of the interests of the insured, negotiates an insurance contract or provides related services and collects a commission or remuneration.

Article 10. The term "surveyor" as used in this Act means a person who collects remuneration from the insurer or the insured, and on behalf of the hiring party inspects, assesses, and appraises the subject matter insured, adjusts and negotiates indemnification, and gives attestation thereof.

Article 11. The reserve funds set out in this Act include policy reserves, unearned premium reserves, special reserves, loss reserves, and other reserve funds as may be specified by the competent authority.

Article 12. The term "competent authority" as used in this ct means the Financial Supervisory Commission. However, in the case of insurance cooperatives, the Financial Supervisory Commission is the competent authority for the business operated by the cooperatives, while the competent authority in charge of cooperatives is the competent authority for the administrative affairs of the cooperatives.

Article 13. Insurance is categorized into non-life insurance and insurance of the person. Non-life insurance includes fire insurance, marine insurance, land and air insurance, liability insurance, bonding insurance, and any other type of insurance approved by the competent authority.

Insurance of the person includes life insurance, health insurance, personal injury insurance, and annuities.

Section 2. Insurable Interest

Article 14. A proposer has an insurable interest in current interest in a property, or expected future interest deriving from current interest in a property.

A transporter or custodian of goods has an insurable interest in goods that it transports or keeps in custody, within the extent to which the transporter or custodian bears liability for the goods.

Article 16. A proposer has an insurable interest in the life or body of any of the following persons:

1. The proposer or the proposer's family members.

2. Persons upon whom the proposer depends for living expenses or educational expenses.

3. The proposer's obligors.

4. Persons who manage the proposer's assets or interests on the proposer's behalf.

Article 17. If the proposer or insured has no insurable interest in the subject matter insured, the insurance contract shall become void.

Article 18. If the insured dies or ownership of the subject matter insured is transferred, the insurance contract remains valid for the benefit of the heir or the transferee unless otherwise stipulated in the contract.

Article 19. When partners or co-owners are jointly insured, the assignment of one or more insured persons' insurable interest to another does not void the insurance contract.

Article 20. Any interest deriving from an in-force contract may also be an insurable interest.

Section 3. Premiums

Article 21. Premiums are categorized into two kinds: those to be paid in a lump sum, and those to be paid in installments. A lump-sum premium, if such is stipulated in the insurance contract, or the first installment of the premium, shall be paid before the contract takes effect. However, this requirement does not apply where the premium has not yet been determined at the time the insurance contract is entered into.

Article 22. Premium shall be paid by the proposer in accordance with the provisions of the insurance contract. Where a trust enterprise is obligated under a trust agreement to pay the insurance premiums, the trust enterprise shall pay the insurance premiums in the proposer's stead.

The insured amount, set forth in the trust agreement referred to in the preceding paragraph, which the insurer is obligated to pay in accordance with the insurance contract shall be deemed to be a trust property of the trust agreement.

When a proposer enters into an insurance contract for the benefit of another person, the insurer may raise the same defense against the beneficiary that it may raise against the proposer.

Article 23. If multiple insurance contracts entered into in good faith cover the same insurable interest and the same insured event, and the total insured amount exceeds the value of the subject matter insured, the proposer may, prior to occurrence of the risk, claim a refund of the premium in proportion to the excess value.

If an insurance contract becomes void due to the circumstances set forth in Article 37, the insurer may still collect premium during the period in which the insurer is unaware that the contract has become void.

Article 24. If an insurer is not bound by an insurance contract because of circumstances set forth in Article 51, paragraph 2, the insurer may claim reimbursement of expenses. Premium already collected need not be refunded.

If a proposer is not bound by an insurance contract because of circumstances set forth in Article 51, paragraph 3, the insurer may not claim payment of premium or reimbursement of expenses; where already collected, they shall be refunded.

If an insurance contract is terminated or partially terminated because of circumstances set forth in Article 60 or Article 81, premium paid for the period subsequent to termination shall be refunded, except where the premium is not calculated on the basis of time.

Article 25. If an insurance contract is rescinded because of circumstances set forth in Article 64, paragraph 2, the insurer need not refund premium already collected.

Article 26. Where premium is calculated based on special circumstances pertaining to increased risk as stipulated in the insurance contract, and such circumstances cease to exist during the term of the contract, the proposer may demand a pro rata reduction of premium based on the premium rate at the time the contract was entered into, to apply from the time the circumstances ceased to exist.

If the insurer does not agree to a reduction of premium as set forth in the preceding paragraph, the proposer may terminate the contract, and any premium paid for the period subsequent to termination shall be refunded.

Article 27. If an insurer becomes bankrupt, its insurance contracts terminate on the day that bankruptcy is adjudicated, and any premium paid for the period subsequent to termination shall be refunded by the insurer.

Article 28. If a proposer becomes bankrupt, the insurance contract remains valid for the benefit of the creditors of the bankrupt party. However, the bankruptcy trustee or insurer may terminate the contract within three months from the day of the bankruptcy adjudication. Any premium paid for the period subsequent to termination shall be refunded.

Section 4. Obligations of the Insurer

Article 29. An insurer is liable to indemnify for damage caused by unforeseeable events or force majeure. However, this requirement is not applicable when limitations are expressly stated in the insurance contract.

An insurer is liable to indemnify for damage caused by the fault of the proposer or insured. However, this rule is not applicable to loss caused by a willful act of the proposer or insured.

Article 30. An insurer shall be liable to indemnify for damage caused by the fulfillment of a moral obligation.

Article 31. An insurer shall be liable to indemnify for damage caused by employees, objects, or animals of the proposer or the insured.

Article 32. The insurer shall be liable to indemnify for damage caused by war unless the insurance contract stipulates otherwise.

Article 33. The insurer is liable to reimburse the proposer or insured for expenses resulting from any necessary action taken to avoid or mitigate damage. Even if the combined total of reimbursement and indemnification exceeds the total insured amount, the insurer shall pay the full combined amount.

When an insurer makes reimbursement for expenses referred to in the preceding paragraph, such reimbursement is to be determined according to the ratio of the insured amount to the value of the subject matter insured.

Article 34. After a proposer or insured has submitted all supporting documents for a claim, the insurer shall pay indemnification within the stipulated time period. Where no time period has been stipulated, payment shall be effected within 15 days from receipt of notification.

If, for reasons attributable to itself, the insurer fails to make payment within the time period referred to in the preceding paragraph, it shall pay default interest at the rate of 10% per annum.

Section 5. Double Insurance

Article 35. The term "double insurance" means an act of contracting whereby a proposer separately enters into multiple insurance contracts with multiple insurers covering the same insurable interest and the same insured event.

Article 36. In double insurance, a proposer shall, unless otherwise stipulated, notify each insurer of the names of the other insurers and the amounts insured thereby.

Article 37. If a proposer willfully fails to make the notification referred to in the preceding Article, or obtains double insurance with the intent to acquire undue profit, the contract shall be void.

Article 38. Where double insurance has been obtained in good faith and the total insured amount exceeds the value of the subject matter insured, each insurer, unless otherwise stipulated, is liable only to provide a share of the indemnification for the total value of the subject matter insured pro rata to the amount it has insured. However, the total indemnification may not exceed the value of the subject matter insured.

Section 6. Reinsurance

Article 39. The term "reinsurance" means an act of contracting whereby an insurer effects insurance with another insurer to cede risk that it has insured. The insured of the original insurance contract has no right to claim

indemnification from a reinsurer. However, this restriction does not apply where otherwise provided by the original insurance contract or the reinsurance contract.

Article 41. A reinsurer may not claim payment of premium from the proposer of the original insurance contract.

Article 42. An original insurer may not refuse or delay fulfillment of its obligations to the insured on the grounds that a reinsurer has failed to fulfill its obligation to make reinsurance payment.

CHAPTER II. INSURANCE CONTRACTS

Section 1. General Provisions

Article 43. An insurance contract shall be made in the form of a policy or a binder.

Article 44. An insurance contract is to be signed and executed by the insurer after it agrees to an application submitted by the proposer.

Any interested party may request a copy of the insurance contract from the insurer.

Article 45. A proposer may, without having been mandated, enter into an insurance contract for the benefit of another person. Should there be any doubt as to the beneficiary, it will be presumed that the proposer entered into the contract for its own benefit.

Article 46. If an insurance contract is entered into by an agent [on behalf of another], a statement to such effect shall be made in the insurance contract.

Article 47. If an insurance contract is entered into by one or several partners or co-owners for the benefit of all the partners or co-owners, a statement to such effect shall be made in the insurance contract.

Article 48. An insurer may stipulate in the contract that loss to a portion of the subject matter insured arising from risk shall be borne by the proposer.

When the type of stipulation set forth in the preceding paragraph is made, the proposer may not enter into an insurance contract with another insurer for the portion that has not been insured.

Article 49. Except in the case of insurance of the person, an insurance contract may have either a specified or an unspecified beneficiary.

The insurer may raise against the assignee of an insurance contract the same defense that it may raise against the proposer.

Article 50. Insurance contracts are classified into unvalued and valued insurance contracts. An unvalued insurance contract is an insurance contract which expressly states that the value of the subject matter insured must be estimated after occurrence of the insured risk.

A valued insurance contract is an insurance contract that expressly states a definite value for the subject matter insured.

Article 51. If the risk associated with the subject matter insured has already occurred or ceased to exist at the time an insurance contract is entered into, the contract shall be void, provided that this rule does not apply when neither of the contracting parties is aware of the occurrence or cessation of existence.

If, at the time an insurance contract is entered into, only the proposer knows that the risk has already occurred, the insurer is not bound by the contract.

If, at the time an insurance contract is entered into, only the insurer knows that the risk has ceased to exist, the proposer is not bound by the contract.

Article 52. When an insurance contract is entered into for the benefit of another person, if that person has not yet been determined at the time the contract is entered into, the proposer, or such beneficiary as may be determined in accordance with the content of the insurance contract, shall enjoy the benefit.

Article 53. If an insured has a right to claim indemnification from a third party due to occurrence of loss for which the insurer bears insurance liability, the insurer may, after paying indemnification, be subrogated to the insured's right of claim against the third party. However, the amount of the subrogated claim may not exceed the amount of the indemnification.

If the third party referred to in the preceding paragraph is a family member or employee of the insured, the insurer has no right of claim by subrogation. However, this rule is not applicable when the loss has resulted from the willful misconduct of such third party.

Article 54. Compulsory provisions of this Act may not be modified by contract. However, this restriction does not apply to modifications favorable to the insured. Interpretation of insurance contracts shall seek the true intent of the parties, and may not adhere blindly to the language employed. Where there is doubt, interpretations should in principle be favorable to the insured.

Article 54-1. If an insurance contract contains any term or condition as follows, and such term or condition would have been obviously unfair under the circumstances at the time of signing, such part of the contract shall be void:

1. A term or condition that exempts the insurer from or diminishes its obligations under this Act. A term or condition that causes the proposer, beneficiary, or insured to waive or limit any right they enjoy under this Act.
2. A term or condition that increases the obligations of the proposer or the insured.
3. Any other term or condition that is materially disadvantageous to the proposer, beneficiary, or insured.

Section 2. Basic Provisions

Article 55. Except where otherwise provided in this Act, an insurance contract shall specify the following particulars:

1. Names and domiciles of the contracting parties.
2. The subject matter insured.
3. The type of risk insured.
4. The date and hour from which the insurance liability commences and the period of insurance.
5. The insured amount.
6. The premium.
7. Causes for voidance of contract or loss of rights.
8. The date the contract is entered into.

Article 56. When an insurance contract is modified or a suspended contract is reinstated, failure by the insurer to reject the modification or reinstatement within 10 days from receipt of notification shall be deemed acceptance. However, where this Act has special provisions for insurance of the person, such provisions shall govern.

Article 57. Except when due to a force majeure event, the failure of a party to an insurance contract to provide a required notification of any matter to another party, whether intentional or unintentional, may be cause for rescission of the contract by the other party. When a proposer, insured, or beneficiary experiences an event for which the insurer bears insurance liability, such party shall notify the insurer within five days from becoming aware of the occurrence, except where otherwise provided in this Act or stipulated in the contract.

Article 59. A proposer required to serve notice of circumstances that increase risk as stated in the insurance contract shall notify the insurer upon becoming aware of the circumstances. If the increase in risk is caused by an act of the proposer or the insured, and the risk is increased to the extent that the premium should be increased or the contract terminated, the proposer or the insured shall serve prior notice to the insurer. If the increase in risk is not caused by an act of the proposer or the insured, the proposer or the insured shall notify the insurer within 10 days of becoming aware of the increase in risk.

When risk is diminished, the insured may request the insurer to adjust the premium.

Article 60. In the event of circumstances referred to in the preceding article, the insurer may terminate the contract or propose revision of the premium. If the proposer does not agree to the premium adjustment, the contract is terminated forthwith. However, where the contract is terminated on account of circumstances stated in paragraph 2 of the preceding article, the insurer may also claim compensation if it has sustained any loss.

An insurer that continues to accept the premium after becoming aware of an increase in risk, or that pays a claim after occurrence of the risk, or that otherwise expresses intent to maintain the contract, loses the rights stated in the preceding paragraph.

Article 61. The provisions of Article 59 does not apply to an increase in risk under any of the following circumstances:

(1) Where the occurrence of damage does not affect the burden of the insurer.

(2) Where the act is done to protect the interests of the insurer.

(3) Where the act is done to fulfill a moral obligation.

Article 62. A party shall be free of obligation of notification with regard to any matter enumerated below:

1. A matter of which the other party is aware.

2. A matter of which the other party should be aware by paying normal attention or for which it would have no excuse for being unaware.

3. A matter of which the other party has stated that no notice need be served.

Article 63. A proposer or an insured who fails to serve notice within the time limit stated in Article 58 or Article 59, paragraph 3 shall be liable for loss sustained by the insurer as a result.

Article 64. At the time a contract is entered into, the proposer shall make truthful representations in response to the written inquiries of the insurer.

If the proposer has made any willful concealment, nondisclosure through its own fault, or misrepresentation, and such concealment, nondisclosure, or misrepresentation is sufficient to alter or diminish the insurer's estimation of the risk to be undertaken, the insurer may rescind the contract; the same shall apply after the risk has occurred, provided that this provision does not apply where the proposer proves that the occurrence of the risk was not based upon any fact that it did or did not represent. The right to rescind as stated in the preceding paragraph shall be extinguished if not exercised within one month of the time the insurer knows of the cause for rescission. Once two years have elapsed after the contract is entered into, the contract may not be rescinded even if cause for rescission exists.

Article 65. Any right arising out of an insurance contract shall be extinguished if not exercised within two years from the day when it becomes possible to exercise the right. If any of the following circumstances exists, the two-year time period commences as set forth in the following subparagraphs:

1. If there is concealment, non-disclosure, or misrepresentation on the part of the proposer or insured in the disclosure of risk, the period

commences from the day on which the insurer becomes aware of the situation.

2. If, after a risk occurs, an interested party can prove that its lack of awareness was not due to negligence, the period will begin from the day on which it becomes aware of the situation.

3. If the claim of a proposer or insured against an insurer arises out of the claim of a third party, the period will begin from the day on which the proposer or insured is presented with the third-party claim.

Section 3. Special Provisions

Article 66. A special provision is a provision whereby the parties represent and warrant performance of a special obligation apart from the basic provisions of the insurance contract.

Article 67. All matters, whether past, present, or future, that relate to an insurance contract may be stipulated by a special provision.

Article 68. When a party to an insurance contract breaches a special provision, the other party may rescind the contract. The same rule also applies after the risk has occurred. The provisions of Article 64, paragraph 3 apply mutatis mutandis to the circumstances in the preceding paragraph.

Article 69. With regard to any special provision relating to a future matter, if the related risk has already occurred before the time for performance of the provision has commenced, or performance of the provision is impossible, or the provision has not been performed because it is illegal in the place where the contract was entered into, the insurance contract does not for that reason become void. Chapter III. Non-life Insurance

Section 1. Fire Insurance

Article 70. A fire insurer is liable, unless otherwise stipulated in the contract, to indemnify for damage or loss of the subject matter insured as a result of fire.

Loss to the subject matter insured that occurs in the course of attempting to save or protect it is deemed to have arisen out of the insured risk.

Article 71. When insurance is effected to cover a group of things collectively, the belongings of family members, employees, or cohabitants of the insured may also be specified in the insurance contract as part of the subject matter insured, and indemnification for loss to such items shall be made upon occurrence of the insured risk.

An insurance contract referred to in the preceding paragraph shall be deemed as having also been entered into for the benefit of the third parties.

Article 72. The insured amount is the maximum liability to be borne by the insurer during the term of insurance. Before underwriting an insurance

policy, the insurer shall appraise the market value of the subject matter to be insured, and may not over-insure the subject matter.

Article 73. A proposer may apply for either valued or unvalued insurance coverage of any given subject matter, at a premium rate and under provisions approved by the competent authority.

When the stipulated value of the subject matter insured is the insured amount, if total loss or partial loss is sustained, indemnification shall be calculated on the basis of the stipulated value.

When the value of the subject matter insured is not stipulated, if loss is sustained, indemnification shall be calculated on the basis of the actual value at the time of occurrence of the insured peril. Indemnification may not exceed the insured amount.

Article 74. The term "total loss" as used in Article 73 means total destruction or loss of the subject matter insured, to such an extent that it cannot be restored, or the cost of restoration exceeds the value of the subject matter insured after restoration to its original condition.

Article 75. If the value of the subject matter insured cannot be appraised on the basis of market value, the contracting parties may stipulate its value. Any indemnification shall be based on the stipulated value.

Article 76. Where the insured amount exceeds the value of the subject matter insured, if the contract is entered into through the fraud of one of the contracting parties, the other party may rescind the contract. If loss is sustained, the other party may also claim indemnification. If no fraud is involved, the contract shall, except in the case of valued insurance, be valid only within the limits of the value of the subject matter insured.

For contracts where fraud is not at issue, after one of the contracting parties has notified the other party of the fact that the subject matter is over-insured, the insured amount and the premium shall both be reduced pro rata according to the value of the subject matter insured.

Article 77. If the insured amount is below the value of the subject matter insured, the burden of the insurer, unless otherwise stipulated in the contract, is to be determined by the ratio of the insured amount to the value of the subject matter insured.

Article 78. If appraisal of loss is delayed due to causes attributable to the insurer, additional interest shall accrue beginning one month from the day on which the insured presents a statement of loss. If appraisal of loss remains unfinalized two months after presentation of the statement of loss, the insured may claim pre-payment of the minimum amount of indemnification to which it is entitled.

Article 79. Any necessary expenses incurred by an insurer or an insured to prove and appraise a loss are to be borne by the insurer unless otherwise stipulated in the contract. If the insured amount is less than the value of the

subject matter insured, the expenses mentioned in the preceding paragraph are to be borne pro rata by the insurer in accordance with the ratio set forth in Article 77.

Article 80. Before appraisal of loss has been finalized, the proposer or the insured may not, except in order to ensure the public interest or avoid aggravation of loss, make any alteration to the subject matter insured without the insurer's consent.

Article 81. When something other than an insured peril specified in the insurance contract causes complete destruction or loss of the subject matter insured, the insurance contract shall be forthwith terminated.

Article 82. If the subject matter insured sustains partial loss, both the insurer and the proposer have the right to terminate the contract. After termination, premium already paid for the portion not affected by the loss shall be refunded.

The right to terminate the contract as stated in the preceding paragraph shall be extinguished if not exercised within one month after indemnification is paid. The insurer shall notify the proposer fifteen days prior to terminating the contract. If neither the proposer nor the insurer terminates the contract, the liability of the insurer for any future loss resulting from insured perils shall, unless otherwise stipulated in the contract, be limited to the balance of the insured amount after indemnification.

Article 82-1. The provisions of Article 73 to 81 apply mutatis mutandis to marine insurance, land and air insurance, liability insurance, bonding insurance, and other types of non-life insurance.

The provisions of Article 123 and 124 apply mutatis mutandis to non-life insurance of term length exceeding one year.

Section 2. Marine Insurance

Article 83. Unless otherwise stipulated in the contract, a marine insurer is liable, with respect to the subject matter insured, to indemnify for damage, loss, and expenses arising out of all accidents and calamities at sea.

Article 84. Marine insurance is governed by the provisions of the Marine Insurance Chapter of the Maritime Act.

Section 3. Land and Air Insurance

Article 85. Unless otherwise stipulated in the contract, land, inland waterway, and aviation insurers are liable, with respect to the subject matter insured, to indemnify for damage, loss, and expenses arising out of all accidents and calamities on land, inland waterways, or in the air.

Article 86. With regard to cargo insurance, unless otherwise stipulated in the contract, the term of insurance begins from the time of delivery for

transport and continues to the time the cargo is received at the place of destination.

Article 87. An insurance contract, in addition to specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Route and method of transportation.

2. Personal name and business name of transporter. Place of delivery for transport and place of cargo collection.

3. Deadline for transportation, if any.

Article 88. If, due to transportation needs, transportation is temporarily suspended or the route or method of transportation is altered, the insurance contract remains valid unless otherwise stipulated therein.

Article 89. Unless otherwise provided for in this Section, the relevant provisions for marine insurance apply mutatis mutandis to hull, freight, and cargo insurance for vessels navigating inland waterways.

Section 4. Liability Insurance

Article 90. When the insured is legally obligated to indemnify a third party and receives a claim in connection therewith, the liability insurer is liable to provide indemnification.

Article 91. All necessary litigation or non-litigation expenses incurred by the insured to raise a defense against a third party's claim shall, unless otherwise stipulated in the contract, be borne by the insurer.

The insured may request that the insurer advance the expenses referred to in the preceding paragraph.

Article 92. Where an insurance contract has been entered into to cover the liability of an enterprise run by the insured for loss indemnification, liability for loss indemnification borne by any agent, manager, or supervisor of the insured shall also be entitled to the benefit of the insurance, and the contract shall be deemed to have been entered into concurrently for the benefit of third parties. An insurer may stipulate in a contract that any acknowledgment, settlement, or indemnification made by the insured in connection with its liability toward a third party without the participation of the insurer is not binding on the insurer, provided that this rule does not apply where the insurer, having been requested by the proposer or insured to participate, has refused to do so without legitimate reason or has delayed its participation on pretext.

Article 94. Prior to indemnification of a third party for loss caused by an event attributable to the insured, an insurer may not pay all or any part of the insured amount to an insured. Where the insured has been determined liable to indemnify a third party for loss, the third party may claim for payment of

indemnification, within the scope of the insured amount and based on the ratio to which the third party is entitled, directly from the insurer.

Article 95. The insurer may, upon being notified by the insured, indemnify the third party directly.

Section 4-1. Bonding Insurance

Article 95-1. A bonding insurer is liable to indemnify the insured for loss incurred through dishonest acts by the insured's employees or through non-performance of obligations by its obligors.

Article 95-2. Bonding insurance contracts for which dishonest acts by the insured's employees constitute the insured peril shall, in addition to the particulars provided in Article 55, also contain the following particulars:

1. Insured's name and domicile.
2. Employee's name and title or other means of identifying the employee.

Article 95-3. Bonding insurance contracts for which non-performance of obligations by the insured's obligors constitute the insured peril shall, in addition to the particulars provided for in Article 55, also contain the following particulars:

1. Insured's name and domicile.
2. Obligor's name or other means of identifying the obligor. Section 5. Other Non-life Insurance

Article 96. The term "other non-life insurance" refers to insurance of various kinds not within the scope of fire insurance, marine insurance, land and air insurance, liability insurance, and bonding insurance, and in which property or intangible interests constitute the subject matter insured.

Article 97. An insurer has the right to inspect the subject matter insured at any time. If the insurer discovers that all or part of it is in abnormal condition, the insurer has the right to suggest that the proposer or the insured should repair it before further use. If the proposer or the insured refuses the suggestion, the insurer may terminate the insurance contract or relevant parts of it by written notice.

Article 98. An insurer is not liable to indemnify for any loss resulting from failure of the proposer or the insured to fulfill its contractual duty to protect the subject matter insured. If, after occurrence of the risk insured, assessment shows that loss was increased due to failure of the proposer or the insured to take reasonable measures to protect the subject matter insured, the insurer is not liable to indemnify for such increased loss.

Article 99. If the subject matter insured sustains partial loss, the insurance contract shall remain valid after indemnification has been made or the subject matter has been restored to its original condition. However, the

premium may be increased or decreased if the condition of the subject matter differs from that originally insured.

Article 100 (Deleted).

CHAPTER IV. INSURANCE OF THE PERSON

Section 1. Life Insurance

Article 101. A life insurer is obligated to pay the insured amount in accordance with the contract when the insured dies within the time limit set forth in the contract or is still alive when the time limit set forth in the contract expires.

Article 102. The insured amount in life insurance is that set forth in the insurance contract.

Article 103. A life insurer may not be subrogated to a right of claim of the proposer or the beneficiary against a third party, where such claim arises out of occurrence of an insured peril.

Article 104. A life insurance contract may be entered into by the insured, or by a third party.

Article 105. A life insurance contract against death entered into by a third party without written consent of the insured and stipulation of the insured amount shall be void. An insured who has given consent as stated in the preceding paragraph may withdraw the consent at any time. Such withdrawal of consent shall be made in writing to the insurer and the proposer.

When the insured exercises the right to withdraw consent as stated in the preceding paragraph, the contract shall be deemed terminated by the proposer.

Article 106. Transfer or pledge of rights under a life insurance contract entered into by a third party shall not take effect without the written acknowledgement of the insured.

Article 107. If, at the time a life insurance contract is entered into, the insured is a minor under fifteen years of age, the death benefits shall take effect on the date the insured reaches fifteen years of age. If the insured dies before reaching fifteen years of age, the insurer shall refund all premiums paid with or without interest, or refund the account value of the insured in a separate account set up for investment-linked insurance. The calculation of interest mentioned in the preceding paragraph will be set forth by the competent authority.

If, at the time a life insurance contract is entered into, the insured is mentally impaired or of diminished mental capacity that he or she is incapable of comprehending his or her own action or lacks the ability to act based on his or her comprehension, all death benefits other than funeral expense benefits shall be void.

The insured amount for the funeral expenses referred to in the preceding paragraph may not exceed one half of the funeral expense deduction allowed for estate tax under Article 17 of the Estate and Gift Tax Act.

If the provisions in paragraph 1 to paragraph 4 are otherwise provided in other laws, such other laws shall prevail.

Article 108. A life insurance contract, besides specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Name, sex, age, and domicile of the insured.
2. Names of beneficiaries and their relation to the insured, or a means of identifying the beneficiaries.
3. The insured perils for which the insured amount may be claimed, and the period for making the claim.
4. The conditions, if any, for reduction of the insured amount in accordance with the provisions of Article 118.

Article 109. If the insured willfully commits suicide, the insurer is not obligated to pay the insured amount, but the non-forfeiture value shall be refunded to the person entitled to receive it.

If an insurance contract contains a provision specifying that the insurer shall still pay the insured amount even if the insured willfully commits suicide, such a provision shall come into effect only two years after the date on which the contract is entered into. In the case of reinstatement of a suspended insurance contract, such two-year period shall commence from the date of reinstatement. If the insured is executed for a crime or dies as the result of resisting arrest or escaping from jail, the insurer is not obligated to pay the insured amount. However, if premium has been paid in full for not less than two years, the insurer shall refund the amount of the non-forfeiture value to the person entitled to receive it.

Article 110. A proposer may notify the insurer to pay all or part of the insured amount to one or several of the designated beneficiaries.

The designated beneficiaries referred to in the preceding paragraph are limited to those alive at the time the insured amount is claimed.

Article 111. After the beneficiaries have been designated, the proposer may still dispose of his or her insurable interest by contract or by will unless he or she has declared to waive the right of disposition.

Exercise by the proposer of the right of disposition referred to in the preceding paragraph may not be raised as a defense against the insurer unless the insurer was given notice of such exercise.

Article 112. If it has been stipulated that the insured amount is to be paid upon death of the insured to the beneficiaries named thereby, such amount shall not be treated as part of the insured's estate.

Article 113. Where no beneficiary has been designated in a life insurance contract against death, the insured amount therein shall be treated as part of the insured's estate.

Article 114. A beneficiary may not assign its benefits to other persons unless the proposer consents or the insurance contract expressly permits such assignment.

Article 115. Any interested party may pay the premium on behalf of the proposer.

Article 116. Unless otherwise stipulated in the contract, when a life insurance premium is due and unpaid, and remains unpaid upon thirty days after receipt of notice of payment due, the validity of the insurance contract shall be suspended.

Notice of payment due shall be served to the most recent domicile or residence of the proposer or of the person under obligation to pay the premium. After notice of payment due has been served, the premium shall be paid at the business office of the insurer.

A suspended insurance contract as referred to in paragraph 1 shall be reinstated at zero hours on the morning of the day after the premium, the interest stipulated in the insurance contract, and other expenses are paid, provided that such payment is made within six months from the date of suspension. Where the proposer applies for reinstatement more than six months after the date of suspension, the insurer may, within five days from the date on which the proposer applies for reinstatement, require that the proposer furnish proof of insurability for the insured, and the insurer may not refuse reinstatement unless the insured's degree of risk has undergone a change that is sufficiently material as to justify refusal to insure. Where the insurer does not require that the proposer furnish proof of insurability within the time period set out in the preceding paragraph, or it does not refuse reinstatement within 15 days from its receipt of the proof of insurability referred to in the preceding paragraph, it shall be deemed to have consented to reinstatement.

The time period for applying for reinstatement stipulated in the insurance contract may not be less than two years from the date of suspension, nor may it extend beyond the expiration date of the policy period.

The insurer has the right to terminate the contract upon expiration of the time period set forth in the preceding paragraph.

Where the premium has been paid in full for two years or more at the time the insurance contract is terminated, if there is any non-forfeiture value, the insurer shall refund the non-forfeiture value.

Where the insurance contract stipulates that the insurer shall provide premium loans, when the principal and interest of such a loan exceeds the

non-forfeiture value, suspension of the contract and application for reinstatement shall be subject mutatis mutandis to the provisions of paragraph 1 to paragraph 6.

Article 117. An insurer may not demand payment of premium by means of litigation. In regard to a whole life insurance contract against death which does not include benefits conditional upon survival, or a contract in which it is stipulated that the insured amount or annuity is to be paid after a certain number of years, if premium has been paid in full for two years or more at the time of nonpayment, after expiration of the time period set out in paragraph 5 of the preceding article, the insurer may only reduce the insured amount or the annuities.

Article 118. The insurer may, in accordance with the provisions of the preceding Article or at the request of the proposer, reduce the insured amount or the annuities. The conditions for such a reduction and the allowable amount thereof shall be specified in the insurance contract.

An insurance contract of the same kind, executed based on the conditions at the time the original contract was entered into, shall be taken as the standard for calculating the reduction of the insured amount or the annuities. The insured amount after reduction may not be less than the amount obtainable if the non-forfeiture value existing at the time the original contract is terminated, minus business expenses, were paid as a lump-sum premium.

The said business expenses are limited to 1 percent of the originally insured amount. If part of the insured amount has been determined on the basis of the premium thereof being paid in one lump sum, that part shall not be affected by nonpayment of the premium on the remaining part that is payable in installments.

Article 119. If a proposer terminates an insurance contract for which the premium has been fully paid for one year or more, the insurer shall pay the surrender value within one month from receipt of such notice. The amount thereof may not be less than three-quarters of the non-forfeiture value that the proposer is entitled to receive.

The conditions and amount for payment of surrender value shall be specified in the insurance contract.

Article 120. If premium has been fully paid for one year or more, the proposer may obtain loans from the insurer by using the insurance contract as collateral.

Upon receipt of a proposer's loan notification, the insurer may, within a period of one month, lend such amount as may be borrowed with the collateral. For a loan secured by an insurance contract, by 30 days before the date on which loan principal and interest exceeds non-forfeiture value the

insurer shall notify the proposer in writing to repay the loan principal and interest. If the proposer fails to make repayment by said date, the insurance contract shall be suspended from the date on which loan principal and interest exceeds non-forfeiture value. Where the insurer does not observe the requirements of the preceding paragraph in making the notification referred to therein, if the proposer fails to make repayment within 30 days from the date on which the insurer notifies the proposer in writing to repay the loan principal and interest, the insurance contract shall be suspended from the day next following the thirtieth day.

Application for reinstatement of an insurance contract suspended under either of the preceding two paragraphs shall be subject mutatis mutandis to the provisions of Article 116, paragraphs 3 to 6.

Article 121. A beneficiary who willfully causes the death of the insured, or attempts unsuccessfully to do so, shall lose the right to receive benefits. If a beneficiary loses the right to receive benefits because of circumstances set forth in the preceding paragraph, and as a result there is no beneficiary to receive the insured amount, the insured amount shall be treated as part of the insured's estate. If a proposer willfully causes the death of the insured, the insurer is not obligated to pay the insured amount. If the premium has been fully paid for two years or more, the insurer shall pay the non-forfeiture value to the person who is entitled to receive it. If there is no person entitled to receive it, it shall be turned over to the national treasury.

Article 122. If the age of the insured has been misrepresented and the insured's actual age surpasses the limits on insurable age set by the insurer, the contract shall be void. If misrepresentation of the insured's age results in premium payments that are lower than what they should be, the insured amount shall be reduced pro rata on the basis of the premium paid and the actual age of the insured.

Article 123. If an insurer becomes bankrupt, the amount a beneficiary may claim against the insurer with respect to the insured amount is to be calculated pro rata according to the ratio of the non-forfeiture value to the premium rate at the time the contract was entered into. If the proposer becomes bankrupt, insurance contracts in which the beneficiary has been specified shall remain valid for the benefit of the beneficiary. With respect to the invested assets of an investment-linked insurance contract, persons other than the beneficiary may not lay any claim thereto, nor shall they demand attachment or exercise any other rights.

Article 124. The proposer, insured, and beneficiary of life insurance have right of preference for payment of the insured's non-forfeiture value.

Section 2. Health Insurance

Article 125. A health insurer is obligated to pay the insured amount when the insured falls sick or gives birth, or becomes disabled or dies due to sickness or childbirth.

Article 126. An insurer may, before entering into an insurance contract, require the insured to undergo a medical examination.

The cost of the medical examination referred to in the preceding paragraph is to be borne by the insurer.

Article 127. If, at the time an insurance contract is entered into, the insured is already sick or pregnant, the insurer is not obligated to pay the insured amount for the sickness or pregnancy.

Article 128. The insurer is not obligated to pay the insured amount for sickness, disability, miscarriage, or death resulting from suicide or abortion that the insured has willfully committed.

Article 129. If the insured and proposer are not one and the same person, the insurance contract, besides specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Name, age, and domicile of the insured.
2. Relationship of the insured to the proposer.

Article 130. The provisions of Articles 102 to Article 105, Article 115, Article 116, Article 123, and Article 124 apply mutatis mutandis to health insurance.

Section 3. Personal Injury Insurance

A personal accident insurer is obligated to pay the insured amount when the insured suffers injury by accident, or becomes disabled or dies on account of such injury. The term "injury by accident" as used in the preceding paragraph refers to physical harm caused by unforeseen external events other than illness.

Article 132. A personal injury insurance contract, besides specifying the particulars as provided in Article 55, shall also specify the following particulars:

1. Name, age, and domicile of the insured and relationship of the insured to the proposer.
2. Names of the beneficiaries and their relation to the insured, or a method for determining the beneficiaries.
3. The events for which, and the period during which, the insured amount may be claimed.

Article 133. If the insured willfully commits suicide, or is injured, becomes disabled, or dies as the result of a criminal act, the insurer is not obligated to pay the insured amount.

Article 134. A beneficiary who willfully injures the insured is not entitled to claim the insured amount.

When a beneficiary willfully attempts to injure the insured but fails to do so, the insured may revoke such beneficiary's right to receive benefits.

Article 135. The provisions of Articles 102 to Article 105, Article 107, Articles 110 to Article 116, Article 123, and Article 124 apply mutatis mutandis to personal injury insurance. Section 4. Annuity Insurance

Article 135-1. An annuity insurer is liable to pay a fixed amount of money in a lump sum or in installments during the life of the insured or during a specified period of time in accordance with the contract.

Article 135-2. An annuity insurance contract, in addition to specifying the particulars provided in Article 55, shall also specify the following particulars:

1. Insured's name, sex, age, and domicile.
2. Amount of annuity or method for determining the amount of annuity.
3. Names of beneficiaries, and their relationship to the insured.
4. Term of annuity, dates and method of payment of annuity.
5. Conditions attaching to any reduction in the annuity amount carried out in accordance with Article 118.

Article 135-3. During the lifetime of the insured, the beneficiary of annuity insurance shall be the insured himself or herself.

If an insurance contract provides for payment of annuity after death of the insured, the provisions of Articles 110 to Article 113 apply mutatis mutandis to the beneficiary.

Article 135-4. The provisions of Article 103, Article 104, Article 106, and Articles 114 through Article 124 apply mutatis mutandis to annuity insurance. However, during the annuity payment period, the proposer may not terminate the contract or pledge such contract to the insurer as loan collateral.

CHAPTER V. INSURANCE ENTERPRISES

Section 1. General Provisions

Article 136. Except with the approval of the competent authority, an insurance enterprise may only be organized as a company limited by shares or as a cooperative. Business organizations other than insurance enterprises may not engage concurrently in the insurance business or a business similar to insurance.

Where violations of the provisions in the preceding paragraph occur, the competent authority or the authority with jurisdiction over the line of business operated by the violator will act in conjunction with the judicial police authorities to suppress the illegal activity, and the case will be referred for prosecution. In the case of a legal entity, its representatives shall be jointly and severally liable for its relevant debts. When carrying out the tasks

referred to in the preceding paragraph, the authorities may search and attach account books and documents of the violators, remove signs and other fixtures, or take other necessary actions in accordance with the law. An insurance enterprise organized as a company limited by shares shall issue its stock publicly unless another law provides otherwise or the competent authority has granted permission.

When an insurance enterprise does not have publicly issued stock pursuant to the exclusions in the preceding paragraph, there shall be independent directors and a Board of Auditors. The Board of Auditors shall exercise the function of supervisor. For the establishment of the independent directors and the Board of Auditors in the preceding paragraph and other matters to be followed, applicable provisions of Articles 14-2 to 14-5 of the Securities and Exchange Act shall apply. When the tenure of incumbent directors or supervisors at insurance enterprises as is specified in Paragraph 6 is yet to expire upon enforcement of the articles amended on May 20, 2014, the said provisions shall apply as soon as their tenure expires. When the tenure of incumbent directors or supervisors expires within a year following enforcement of the amended articles, the provisions shall not apply until the tenure of re-elected directors or supervisors expires.

Article 137. An insurance enterprise may not commence operations unless it has received permission from the competent authority, completed establishment registration, posted bond, and secured a business license in accordance with the law. The eligibility conditions, business scope, documentation required in order to apply for approval and other compliance matters. with respect to the conduct of personal injury insurance or health insurance business by non-life insurance enterprises in accordance with the proviso of the preceding paragraph, shall be prescribed by the competent authority.

A foreign insurance enterprise may not commence operations unless it has received permission from the competent authority, completed establishment registration, posted bond, and secured a business license in accordance with the law. Unless otherwise provided by this Act, the provisions of this Act regarding insurance enterprises shall apply mutatis mutandis to foreign insurance enterprises. With respect to applications by foreign insurance enterprises for establishment permits, the competent authority shall prescribe regulations governing the following matters: eligibility conditions and procedures for application; required documentation, revocation of permits, issuance of business licenses, conditions for the establishment of branch offices, any change in line(s) of business, replacement of responsible person, funds allocations; and other compliance matters.

With respect to an insurance enterprise established in accordance with another act, the provisions of this Act pertaining to insurance enterprises shall apply mutatis mutandis except as otherwise provided by the other act.

Article 137-1. The necessary qualifications of the responsible persons of an insurance enterprise shall be prescribed by the competent authority.

Article 138. An insurance enterprise in the "non-life insurance" category shall engage in the business of non-life insurance only, an insurance enterprise in the "insurance of the person" category shall engage in the business of insurance of the person only, and the same insurance enterprise may not engage concurrently in non-life insurance and insurance of the person, provided that this restriction does not apply where a non-life insurance enterprise is approved by the competent authority to engage in personal injury insurance or health insurance.

The eligibility conditions, business scope, documentation required in order to apply for approval and other compliance matters. with respect to the conduct of personal injury insurance or health insurance business by non-life insurance enterprises in accordance with the proviso of the preceding paragraph, shall be prescribed by the competent authority.

An insurance enterprise may not engage concurrently in any business other than that prescribed by this Act. However, this restriction does not apply where the competent authority has given its approval for an insurance enterprise to engage in other businesses related to insurance.

Where an insurance enterprise conducts another business related to insurance as provided for in the preceding paragraph, the permission of the Central Bank shall first be obtained if the business involves foreign exchange business.

An insurance cooperative may not engage in any insurance business with any person who is not a member of the cooperative.

Article 138-1. Non-life insurance enterprises shall underwrite residential earthquake risk, and shall do so by means of the risk spreading mechanism established by the competent authority.

The Taiwan Residential Earthquake Insurance Fund shall be established to manage the risk spreading mechanism referred to in the preceding paragraph. The portion of risk that exceeds the co-insurance underwriting assumption limit for non-life insurance enterprises shall be assumed by the Taiwan Residential Earthquake Insurance Fund, cede to domestic and/or foreign reinsurers, be assumed by the manner prescribed by the competent authority or assumed by the government. With respect to the risk spreading mechanism under the preceding two paragraphs, the competent authority shall prescribe regulations governing the risk assumption limits, insured amounts, insurance premium rates, provision for various reserve funds, and other compliance matters.

The competent authority shall prescribe regulations governing the Taiwan Residential Earthquake Insurance Fund's articles of incorporation, business scope, funds allocations, and other administrative matters.

When the occurrence of a major earthquake results in payable claims that exceed the amount of funds accumulated in the Taiwan Residential Earthquake Insurance Fund, in order to safeguard the interests of insured the Fund may as necessary request the competent authority and the Ministry of Finance to jointly apply for Executive Yuan's approval of collateral provided by the national treasury to obtain the necessary source of funding.

Article 138-2. An insurance enterprise engaging in insurance of the person may stipulate an insurance contract that policy proceeds be paid either in a lump sum or in installments.

With respect to the portion of policy proceeds in a contract for insurance of the person that are for death or disablement, the proposer may, prior to occurrence of an insured peril, negotiate a trust contract where under the insurance enterprise acts as trustee of the insurance trust. Such an arrangement may only be made where a single person is both proposer and insured, where the beneficiaries of the trust contract are also the beneficiaries of the insurance contract, and where the arrangement is for the benefit of an insured or a person who is a minor, mentally impaired, or of diminished mental capacity.

With respect to trust benefits paid out pursuant to the preceding paragraph, that part which constitutes trust principal shall be deemed insurance benefits. An insurance enterprise providing insurance trust services shall set up segregated trust accounts named as trust asset accounts.

Where the trust assets of the preceding paragraph are subject to a registration requirement, registration of trust shall be carried out in accordance with the applicable provisions.

Where the trust assets of paragraph 4 are securities, when the insurance enterprise sets up a segregated trust account named as a trust asset account and engages in a transaction involving the trust assets, the trust shall be effective against third parties, and Article 4, paragraph 2 of the Trust Act does not apply.

The scope of funds allocations of an insurance enterprise operating insurance trusts shall be limited to the following:

1. Cash or bank deposits.
2. Government bonds or financial bonds.
3. Short-term bills.
4. Other methods of funds allocation as approved by the competent authority. An insurance enterprise shall obtain permission from the competent authority to provide insurance trust services, which must have independent operations and accounting.

An insurance enterprise shall set aside a compensation reserve fund to secure the performance of indemnities, giving back profits, or other obligations to bailors at violation of its duties as trustee.

With respect to applications by insurance enterprises for permission to provide insurance trust services, the competent authority shall prescribe regulations governing the following matters: eligibility conditions; required documentation; conditions for the revocation of permits; amount defined for the compensation reserve fund, and the way of depositing; and other compliance matters.

Article 139. The minimum capital or fund for each of the various kinds of insurance enterprises will be approved separately by the Executive Yuan, acting upon the recommendation of the competent authority, which shall take into consideration the economic conditions in each locality and the needs of each kind of insurance business.

Article 139-1. A same person or same related party who singly, jointly or collectively acquires more than 5 percent of the total outstanding voting shares of an insurance company shall report such fact to the competent authority within ten (10) days from the day of acquisition; the preceding provision applies to each cumulative increase or decrease in the shares held the same person or same related party by more than one percent (1%) thereafter.

A same person or same related party who intends to singly, jointly or collectively acquire more than 10 percent, 25 percent, or 50 percent of the total outstanding voting shares of an insurance company shall apply for prior approval of the competent authority.

A third party who holds shares of an insurance company on behalf of a same person or same related party in trust, by mandate or through other types of contract, agreement or authorization shall fall within the purview of a related party.

A same person or same related party who singly, jointly or collectively holds more than 5 percent of the total outstanding voting shares of an insurance company prior to the implementation of the amendment to the Act dated November 12, 2010 shall report such fact to the competent authority within six (6) months from the implementation date of said amendment. A same person or same related party whose shareholding (in an insurance company) will exceed 10 percent when they intend to increase or decrease their shareholding for the first time after the aforementioned reporting shall apply for the prior approval of the competent authority. The provisions in the first paragraph and the second paragraph hereof shall be followed for increase or decrease in shareholding for the second time and subsequently thereafter. The regulations governing the qualifications and requirements for a same person or same related party who applies for approval pursuant to the

second paragraph or the preceding paragraph hereof, required documentation, shares to be acquired, purpose of acquisition, sources of funding, pledging of shares held, shares held, reporting and announcement of other important changes, and other matters to be complied with shall be prescribed by the competent authority.

Where a same person or same related party who holds voting shares issued by an insurance company without filing a report with the competent authority or obtaining approval from the competent authority in accordance with the provisions set forth in Paragraphs 1, 2 or 4 hereof, the excess shares held by such same person or same related party shall not have voting rights and shall be disposed of within the given time period as ordered by the competent authority.

If the total number of an insurance company's shares held by a same person or by a principal, his/her spouse and children under twenty (20) years of age combined exceeds 1 percent of the insurance company's outstanding voting shares, such principal shall notify the insurance company thereof.

Article 139-2. The term “same person” as used in the preceding article shall mean a same natural or juristic person.

The term “same related party” as used in the preceding article shall mean parties related to a same natural or juristic person, including:

1. Parties related to the same natural person:

1. The principal, his/her spouse and relatives by blood within the second degree of kinship.

2. An enterprise in which the persons referred to in the preceding subparagraph hold more than one third (1/3) of its outstanding voting shares or more than one third of its capital.

3. An enterprise or a foundation in which the persons referred to in subparagraph (1) hereof act as its chairman, president or directors representing the majority of directors.

2. Parties related to the same juristic person:

1. The same juristic person and its chairman and president as well as the spouse and relatives by blood within second degree of kinship of the chairman and president.

2. Enterprises in which the same juristic person and natural persons referred to in the preceding subparagraph hold more than one third (1/3) of their outstanding voting shares or more than one third of their capital, or enterprises or foundations in which the same juristic person and natural persons referred to in the preceding subparagraph act as their chairman, president or directors representing the majority of directors.

3. The affiliates of the same juristic person. The term "affiliate" shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Act. The calculation of shares of an insurance company held

by a same person or same related party under the preceding two paragraphs shall exclude shares held under the following circumstances

4. Shares acquired by a securities firm during the underwriting period of the securities and disposed of during the period prescribed by the competent authority.

5. Shares acquired by a financial institution under a collateral agreement and four years have not elapsed since the date of acquisition.

6. Shares acquired by inheritance or bequest and two years have not elapsed since the date of inheritance or bequest.

Article 140. An insurance company may enter into an insurance contract that includes participation in policy dividends.

An insurance cooperative shall enter only into insurance contracts that include participation in policy dividends.

The basis and method of calculating the policy dividends in the preceding two paragraphs shall be expressly provided in the insurance contract.

Article 141. An insurance enterprise shall post bond at the national treasury in an amount equal to 15 percent of the total amount of its paid-in capital or paid-in fund.

Article 142. The bond shall be posted in cash. However, upon approval of the competent authority, government bonds or notes may be posted instead.

The bond posted as provided in the preceding paragraph is not to be returned except under any of the following circumstances:

1. The insurance enterprise is declared bankrupt by the court.

2. The insurance enterprise is placed into receivership, ordered to suspend business and undergo rehabilitation, or ordered to liquidate by the competent authority according to the provisions herein and the return has been filed for by the receiver, rehabilitator, or liquidator and approved by the competent authority.

3. The insurance enterprise is ordered to suspend business and has completed liquidation according to the law.

In order for the receiver to be qualified to file for approval of the return of bond with the competent authority in accordance with the provisions of Subparagraph 2 in the preceding paragraph, the receiver has to be assigned all of the business of the insurance enterprise placed into receivership during the receiving period. Where marketable securities are used to post bond, when cessation of business has been declared and liquidation is duly performed, the interest coupon attached thereto may be used to offset liquidation expenses.

Article 143. An insurance enterprise may not borrow funds from an outside party, act as guarantor for an outside party, or provide its assets as

collateral for the debt of another; provided, that this restriction does not apply where any one of the following circumstances obtains with respect to the insurance enterprise and the enterprise reports to and obtains the approval of the competent authority to borrow funds from an outside party:

1. The borrowing is to meet cash flow needs arising from payment of major benefits, a large amount of policy surrenders, or a large amount of policy loans.

2. The borrowing is needed for a merger or for assumption of the in-force contracts of a troubled insurer.

3. The borrowing is done by issuing bonds with capital characteristics, for the purpose of strengthening financial structure.

Article 143-1. In order to preserve the insured's basic interests and to maintain financial stability, enterprises engaged in non-life insurance and insurance of the person shall make contributions to set up separate stabilization funds as incorporated foundations. Regulations governing the organization, administration, and other matters of the incorporated stabilization fund foundations shall be prescribed by the competent authority.

The stabilization funds shall be supported by contributions from each insurance enterprise. The contribution rate of each enterprise shall be determined by the competent authority, taking into consideration the condition of the economy, the state of development of the financial industry, and the ability of insurance enterprises to pay, and may not be lower for any given insurance enterprise than 1/1000th of gross premium income.

When the amount of funds accumulated in a stabilization fund is insufficient to safeguard the interests of insured parties and there is a likelihood of serious threat to financial stability, the fund may report to the competent authority for permission to borrow funds from the financial institutions.

Article 143-2 (Deleted).

Article 143-3. The stabilization funds shall handle the following matters:

1. Extend loans to insurance enterprises experiencing business difficulties.

A stabilization fund may provide low-interest loans or advance expenditures to insurance enterprises that incur losses by merging with troubled insurance enterprises or assuming their contracts and may make claims against the said troubled insurance enterprises for the value of the said advance expenditures.

When, in accordance with the provisions of Article 149, Paragraph 3, an insurance enterprise is placed into receivership, ordered to suspend business and undergo rehabilitation, or ordered to dissolve, or when a receiver applies to a court for reorganization in accordance with provisions of Articles 149-2,

Paragraph 2, Subparagraph 4, the appropriate stabilization fund shall, as necessary, advance funds on behalf of the insurance enterprise to settle claims which proposers, insured parties, and beneficiaries are entitled to make under in-force contracts, and with respect to the amount thus advanced shall succeed to and exercise the rights of claim of those proposers, insured parties, and beneficiaries against the insurance enterprise.

In order to safeguard the interests of insured parties and help expedite reorganization proceedings, when an insurance enterprise undergoes reorganization in accordance with the provisions of this Act, proposers, insured parties, and beneficiaries shall, unless they object in writing, be deemed to have granted consent for the stabilization fund to act as their agent in attending meetings of related parties and exercising rights related to the reorganization. The stabilization funds shall adopt procedures for actions they take when serving as agent, as well as other compliance matters, and shall file them with the competent authority for recordation.

A stabilization fund may act as conservator, receiver, rehabilitator, or liquidator upon appointment by the competent authority.

Assume, upon approval by the competent authority, the insurance contracts of insolvent insurance companies.

A stabilization fund may involve contributions from non-life insurance enterprises and life insurance enterprises.

A stabilization fund may be designated by the competent authority to handle related financial, business, and operation risk information to be compiled and reported by insurance enterprises in accordance with provisions herein within the scope of the designation.

Undertake other matters, as approved by the competent authority, to stabilize the insurance market or safeguard the interests of insured parties.

When handling matters indicated in Subparagraphs 1 to 3 and Subparagraph 9 in the preceding paragraph, restrictions with regard to the utilization timing, scope, unit value, and total value shall be established by the stabilization fund and submitted to the competent authority for approval.

The stabilization fund shall submit to the competent authority for approval the value of advance expenditures being applied for in accordance with the provisions of Paragraph 1, Subparagraph 2 to cover the losses that incur as a result of insurance enterprises merging with troubled counterparts or assuming their contracts. When the stabilization fund handles matters indicated in Paragraph 1, Subparagraphs 7 and 8, the competent authority may provide necessary insurance enterprise operation information if necessary.

When the stabilization fund handles matters indicated in Paragraph 1, Subparagraphs 7 and 8 with prior approval from the competent authority, the insurance enterprise shall prepare electronic data files of various reserve

funds and provide the stabilization fund with electronic data files considered necessary in the format and with the content established by the stabilization fund. The stabilization fund may audit the following areas of insurance enterprises:

1. Accuracy of the contribution ratio and contents to be included in the electronic data files specified in the preceding paragraph.

2. Assets, liabilities, and business operation-related matters of insurance enterprises whose ratio of total adjusted net capital to risk-based capital fails to comply with the provisions of Article 143-4.

When the conservator, receiver, rehabilitator, and liquidator's person in charge and employees perform conservatorship, receivership, rehabilitation, and liquidation tasks in accordance with the Act or the person in charge and employees of the stabilization fund processes advance expenditures or advance payments in accordance with the Act but unlawfully infringe upon other people's rights on purpose or due to negligence, the conservator, receiver, rehabilitator, liquidator, or the stabilization fund shall be responsible for compensation.

When the person-in-charge and employees did it on purpose or are found with major negligence in the preceding conditions, the conservator, receiver, rehabilitator, liquidator, or stabilization fund is entitled to make a claim against them.

Article 143-4. An insurance enterprise's ratio of total adjusted net capital to risk-based capital may not be lower than 200%. Where necessary, the competent authority may adjust the ratio according to international standards.

An insurance enterprise with a ratio of total adjusted net capital to risk-based capital below the ratio set out in the preceding paragraph may not distribute earnings, and the competent authority may, according to the severity of the circumstances, adopt other necessary actions or restrictions.

With regard to total adjusted net capital and risk-based capital as referred to in the preceding two paragraphs, the competent authority shall prescribe regulations governing the following matters: their scope; the method for calculating their amounts; administration thereof; the methods for adopting necessary actions or restrictions; and other compliance matters.

Article 144. With respect to the policy provisions, premiums, and other relevant content for a given type of insurance policy, the competent authority shall prescribe regulations governing the following matters, taking into account the state of development of that type of insurance: procedures to be carried out before a policy is marketed; product review; and the actions to be taken when the content of a policy is incorrect, false, or in violation of the law.

In order to ensure sound operation of its insurance business, an insurance enterprise shall employ actuaries and appoint one of them as appointed actuary, who shall be responsible for setting premium rates, certifying various reserve , and handling other matters specified by the competent authority. Regulations governing qualification requirements, items to be certified, education and training, penalties, and other compliance matters shall be prescribed by the competent authority. Appointment of the appointed actuary shall be subject to the consent of the board of directors and shall be filed to the competent authority.

The appointed actuary shall, in accordance with the principles of impartiality and fairness, provide various certified reports to the board of directors, as well as to the competent authority. Where a report that he or she has certified has any misrepresentation, concealment, omission, or incorrect information, the competent authority may, according to the severity of the circumstances, issue a warning, suspend the actuary from providing certification for a period of up to one year, or revoke appointment.

Article 144-1. Insurance enterprises may underwrite insurance by way of co-insurance under the following circumstances:

1. When insuring against catastrophic loss.
2. When coordinating with government policy.
3. When seeking to further the public interest.
4. When seeking to effectively enhance services to the insurance-buying public.
5. When seeking to accomplish other objectives approved by the competent authority.

Article 145. At the end of each business year, an insurance enterprise shall calculate the reserves for each type of insurance, and shall record such reserves in special account books. The competent authority shall prescribe regulations governing the reserving, calculation methods, and other compliance matters for the various reserves referred to in the preceding paragraph.

Article 145-1. After paying all taxes, an insurance enterprise preparing to distribute earnings shall first set aside 20 percent to legal capital reserves; provided, that this requirement does not apply where legal capital reserves are already equal to the enterprise's authorized capital or authorized fund.

An insurance enterprise may additionally set aside special capital reserve in accordance with the provisions of its articles of incorporation or a resolution of a shareholders meeting or general assembly of cooperative members. The competent authority may as necessary order an insurance enterprise to set aside such reserve. The provisions of paragraph 1 shall enter into force from the next fiscal year after the provisions of this Act amended on [DATE] take effect.

Article 146. Except for savings deposits, the funds allocations of an insurance enterprise shall be limited to the following:

1. Securities.
2. Real estate.
3. Loans.
4. Allocation of funds to special projects and investments in public utilities and social welfare enterprises, with the approval of the competent authority.
5. Foreign investments.
6. Investments in insurance-related businesses.
7. Derivatives trading.
8. Other funds allocations as approved by the competent authority.

The term "funds" in the preceding paragraph includes owner's equity and various reserve funds.

The savings of paragraph 1 deposited in any single financial institution may not, unless approved by the competent authority, exceed 10 percent of the insurance enterprise's funds; provided, this restriction does not apply where the competent authority has granted approval.

"Insurance-related businesses" in paragraph 1, subparagraph 6 means the businesses of insurance, financial holding, banking, bills, trust, credit card, finance leasing, securities, futures, securities investment trust, and securities investment consulting enterprises, as well as other insurance-related businesses as recognized by the competent authority.

An insurance enterprise that engages in investment-linked insurance business or labor pension annuity insurance business shall set up a separate account to record the value of the assets in which it invests.

The competent authority shall prescribe regulations governing administration and custody of separate account, allocation of investment assets, and other compliance matters pertaining to investment-linked insurance business, which are not subject to the restrictions set forth in paragraph 1; paragraph 3; Article 146-1; Article 146-2; Article 146-4; Article 146-5; and Article 146-7.

With respect to assets for which a separate account is required under paragraph 5, if a proposer retains an insurance enterprise by means of an insurance contract to exercise discretionary allocation of the assets and those assets are allocated to the purchase of the securities defined in Article 6 of the Securities and Exchange Act, application for concurrent operation of discretionary investment services shall be made in accordance with the Securities Investment Trust and Consulting Act.

With respect to the derivatives trading of paragraph 1, subparagraph 7, the competent authority shall prescribe regulations governing the terms and

conditions of such trading, the scope thereof, transaction limits, internal handling procedures, and other compliance matters.

Article 146-1. The funds of an insurance enterprise may be used to purchase the following marketable securities:

- Government bonds and treasury bills.
- Financial bonds, negotiable certificates of deposit, banker's acceptances, and commercial promissory notes guaranteed by a financial institution, the aggregate amount of which may not exceed 35 percent of the funds of the insurance enterprise.
- Company stock whose public issuance is approved by law: The stock purchased from each company plus stock option-based securities approved by the competent authority to be purchased may not total over 5% of a specific insurance enterprise's capital and 10% of the paid-in capital of the issuing company.
- Publicly issued guaranteed corporate bonds or corporate bonds issued by a company rated by a rating agency at no lower than a specified rating and approved in accordance with the law, provided that the aggregate amount made by an insurance enterprise in such corporate bonds may not exceed 5 percent of the funds of the insurance enterprise, and the aggregate amount of bonds from any one company may not exceed 10 percent of the paid-in capital of the company issuing the corporate bonds.
- Beneficial interest certificates for securities investment trust funds and mutual trust funds for which public issue has been duly approved. The aggregate amount of such investment made by an insurance enterprise may not exceed 10 percent of the funds of the insurance enterprise, and an insurance enterprise may not invest in more than 10 percent of the aggregate amount of the beneficial interest certificates issued by any 6. Securitization products and other marketable securities that the competent authority has granted approval for insurance enterprises to purchase, the aggregate amount of which may not exceed 10 percent of the funds of the insurance enterprise. The aggregate amount of the investments contemplated under subparagraphs 3 and 4 of the preceding paragraph may not exceed 35 percent of the funds of the insurance enterprise.

Investments made by insurance enterprises in accordance with Paragraph 1, Subparagraphs 3 and 6 may not be found with any of the following conditions:

1. For the insurance enterprise or a representative thereof to be a director or supervisor of the investee company.
2. The insurance enterprise can cast a vote in the election of directors or supervisors at the company being invested.
3. The insurance enterprise's designee is hired as manager at the company being invested.

4. The insurance enterprise serves as trust supervisor for securitization products being invested.

5. The insurance enterprise participates in the operation of the company being invested and the operation and management of real-estate investment trust funds being invested by means of entrustment, delegation, or a contract or agreement entered into with a third party, authorization, or other, excluding liquidation of the fund.

When an insurance enterprise is found with any of the foregoing conditions, the position held by the insurance enterprise or its representative as director or supervisor, the vote it casts, the hiring of its designee as manager, and the contract, agreement, or authorization with a third party will be invalid..

With respect to investments by an insurance enterprise pursuant to paragraph 1, subparagraphs 3 to 6 in publicly issued securities not listed on an exchange or OTC market, or in privately placed securities, the competent authority shall prescribe regulations governing eligibility conditions, scope and type of investments, investment rules, and other compliance matters.

Article 146-2. Investments in real estate by an insurance enterprise shall be limited to real estate that can be used immediately and from which benefit may be derived. The total amount of such investments, apart from real estate held for an insurance enterprise's own use, may not exceed 30 percent of an insurance enterprise's funds. In the case of real estate purchased for self-use, the total amount invested in by an insurance enterprise may not exceed the total amount of its owner's equity.

The acquisition and disposal of real estate by an insurance enterprise shall be evaluated by a legally established real estate appraisal organization.

When an insurance enterprise initiates social housing for rental only in accordance with the Housing Act, it will not be subjected to the restrictions of instantaneous utilization with yield as indicated in Paragraph 1.

Article 146-3. Loans made by an insurance enterprise shall be limited to the following items:

1. Loans guaranteed by a bank, or by a credit guarantee institution recognized by the competent authority.

2. Loans secured by personal property or real property.

3. Loans secured by qualified securities as defined in Article 146-1.

4. For life insurance enterprises, loans secured by life insurance policies issued by said life insurance business.

For loans made pursuant to subparagraphs 1 to 3 of the preceding paragraph, the amount loaned to each borrower may not exceed 5 percent of an insurance enterprise's funds, and the total amount of all loans shall not exceed 35 percent of an insurance enterprise's funds.

Where an insurance enterprise provides a secured loan pursuant to paragraph 1, subparagraphs 1, 2, or 3 to one of its responsible persons, employees, major shareholders, or to a person having an interested party relationship with one of its responsible persons or with an employee in charge of administering the loan, the loan shall be fully secured, and the conditions may not be better than those extended to other loanees of the same class. A loan that is equal to or more than the dollar amount specified by the competent authority shall also be approved by three-fourths of the directors present at a board of directors meeting attended by at least two-thirds of the directors. The competent authority shall prescribe regulations governing the definition of interested parties, loan limits and aggregate loan balances, and other compliance matters.

The combined total amount of (i) an insurance enterprise's investment in corporate stocks and corporate bonds of a given company in accordance with Article 146-1, paragraph 1, subparagraphs 3 and 4, and (ii) loans made in accordance with paragraph 1, subparagraph 3 that are secured by corporate stocks and corporate bonds issued by that same company, shall exceed neither 10 percent of the insurance enterprise's funds nor 10 percent of the paid-in capital of the company issuing the stocks and corporate bonds.

Article 146-4. Foreign investments of insurance enterprise funds shall be limited to the following:

1. Foreign currency deposits.
2. Foreign securities.
3. Establishment of or investment in a foreign insurance company, insurance agent company, insurance broker company, or other insurance-related enterprise approved by the competent authority.
4. Such other foreign investments as may be approved by the competent authority. Insurance enterprises shall apply for the foreign investment value in accordance with the provisions of the preceding paragraph for its funds, which shall be approved by the competent authority based on the operation status of respective insurance enterprises. The value may not exceed 45% of the funds of each of the said insurance enterprises. The following, however, may not be included as part of the overseas investment ceiling:
5. The value of non-investment-linked life insurance products distributed in foreign currencies and not to be included as part of the overseas investment ceiling with prior approval from the competent authority.
6. The value for foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds that are invested in by insurance enterprises in accordance with provisions of the Act.

1. The value of insurance-related enterprise established by or invested in by insurance enterprises and not to be included as part of the foreign investment ceiling with prior approval from the competent authority.

4. Other foreign investments and their values with prior approval from the competent authority.

The competent authority shall prescribe regulations setting forth investment rules, investment limits, review procedures, and other compliance matters pertaining to foreign investments of insurance enterprise funds.

Article 146-5. Application shall be made to the competent authority for approval of allocations of insurance enterprise funds to special projects and investments in public utilities and social welfare enterprises. With respect to applications for approval, the competent authority shall prescribe regulations governing required documentation, procedures, scope of and limits upon allocations and investments, and other compliance matters. Where the funds referred to in the preceding paragraph are allocated to investment in corporate stocks, the provisions of Article 146-1, paragraph 3 and 4 shall apply mutatis mutandis. The conditions and percentages related thereto shall not be subject to the restrictions set forth in Article 146-1, paragraph 1, subparagraph 3.

Article 146-6. When the owner's equity of an insurance enterprise exceeds the minimum capital or the minimum fund provided for in Article 139, it may, with the approval of the competent authority, invest in shares issued by insurance-related enterprises without being subject to Article 146-1, paragraph 1, subparagraph 3, or to paragraph 3 of that same article. The aggregate dollar amount of such investments may not exceed the owner's equity of the insurance enterprise.

Where an insurance enterprise makes an investment in accordance with the provisions of the preceding paragraph and it has a relationship of control or subordination with the investee company, the total dollar amount of the investment may not exceed 40 percent of the owner's equity of the insurance enterprise.

With respect to insurance enterprise investments in insurance-related enterprises made in accordance with the provisions of paragraph 1, the competent authority shall prescribe regulations defining the scope of relationships of control or subordination, the method of reporting investments, and other compliance matters.

Article 146-7. The competent authority may limit the ability of insurance enterprises to make loans to, or engage in other transactions with, a single party, a single related party, or a single related enterprise. The competent authority shall prescribe regulations to set such limits, define the scope of "other transactions," and set out other compliance matters.

The term "a single party" in the preceding paragraph means a single natural person or a single juristic person. The scope of a "single related party" includes the principal, his/her spouse, blood relatives within two degrees of kinship, and any enterprise of which the principal himself/herself or his/her spouse is the responsible person. The scope of "a single related enterprise" shall be governed by Articles 369-1 to 369-3, Article 369-9, and Article 369-11 of the Company Act.

The competent authority may limit the ability of an insurance enterprise to engage in non-loan transactions with an interested party. The competent authority shall prescribe regulations defining the scope of interested parties and regulated transactions, procedures for the adoption of resolutions, limits on transaction size, and other compliance matters.

Article 146-8. For any prospective loan recipient listed in Article 146-3, paragraph 3 who applies under the name of another person to an insurance enterprise for a loan, the provisions of Article 146-3, paragraph 3, shall apply.

If money obtained through a loan from an insurance enterprise is used by a person using another person's name, or the money is transferred to the ownership of a person using another person's name, it shall be presumed that the loan was obtained from the insurance enterprise by the person applying in the name of another person as referred to in the preceding paragraph.

Article 146-9. When insurance enterprises exercise shareholder's rights for the securities they hold, they may not be engaged in stock right exchanges or benefits transfers and may not undermine the interest of proposers, insured parties, or beneficiaries by means of entrustment, delegation, or a contract or agreement entered into with the company being invested in or a third party, authorization, or other.

Before attending a shareholders meeting of an investee company, an insurance enterprise shall prepare an explanation of how it has evaluated and analyzed the exercise of voting rights, and after each such shareholders meeting shall submit to its board of directors a written record of the exercise of voting rights.

An insurance enterprise and any subordinate company thereof may not act as proxy solicitor for an investee company or mandate another party to act as proxy solicitor for an investee company.

Article 147. The competent authority shall prescribe regulations governing the manner in which insurance enterprises cede or assume reinsurance or operate other risk spreading mechanisms, limits applying thereto, and other compliance matters.

Article 147-1. An insurance enterprise that engages exclusively in reinsurance business is a professional reinsurer, and is not subject to the

provisions of Article 138, paragraph 1, Article 143-1, Article 143-3, or Article 144, paragraph 1.

The competent authority shall prescribe regulations governing the business, financial, and other related management matters of the professional reinsurers referred to in the preceding paragraph.

Article 148. The competent authority may, at any time, dispatch officers to inspect the business and financial conditions of an insurance enterprise, or order an insurance enterprise to report, within a prescribed limit of time, the condition of its business. The competent authority may engage an appropriate agency or professional expert to conduct the inspection referred to in the preceding paragraph. Expenses thus incurred shall be borne by the insurance enterprise that is inspected.

In performing the tasks referred to in the preceding two paragraphs, inspectors may take any of the following actions, which the responsible person and relevant persons of the insurance enterprise may not evade, obstruct, or refuse:

1. Ordering the insurance enterprise to provide the types of documents and forms described in Article 148-1, paragraph 1, and to present evidencing documents, vouchers, books, lists, and related materials.
2. Making inquiries of the persons in charge of (and other personnel involved in) relevant business operations of the insurance enterprise.
3. Assessing the assets and liabilities of the insurance enterprise.

In performing the tasks in paragraphs 1 and 2, inspectors may, after receiving permission from the competent authority, take any of the following actions as necessary in order to investigate the facts and evidence of a case:

1. Requesting that enterprises affiliated with the insurance enterprise being inspected provide financial statements, allow inspection of their related books or documents, or permit questioning of their relevant employees.
2. Inspecting the records of other financial institutions of transactions of the insurance enterprise, its affiliates, and others whose names are suspected to have been used by it for transactions.

The scope of "affiliates" in the preceding paragraph shall be governed by Articles 369-1 to 369-3, Article 369-9, and Article 369-11 of the Company Act.

Article 148-1. At the end of every fiscal year, an insurance enterprise shall (i) compile a report detailing its operational status and the use of its funds, attaching a balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and proposal for allocation of surplus profit or compensation of deficit, and other matters designated by the competent authority, (ii) have the above items certified by a certified public accountant, (iii) submit the above items for approval at a shareholders meeting or a general assembly of cooperative members, and

(iv) thereafter submit the above items to the competent authority within fifteen days for recordation.

In addition to the financial and business reports that an insurance enterprise must submit pursuant to the preceding paragraph, the competent authority may, as the need arises, require either that an insurance enterprise report, within a specified time limit and observing all format and content requirements, its business and financial conditions to the competent authority or an institution designated thereby, or that an insurance enterprise furnish account books, statements, vouchers, or other related financial and operational documents.

Standards governing preparation of the financial reports referred to in the preceding two paragraphs shall be prescribed by the competent authority.

Article 148-2. An insurance enterprise shall, in compliance with regulations, truthfully prepare explanatory documents detailing the enterprise's financial and business matters, and shall make such documents publicly available for inspection. If an insurance enterprise becomes aware of any material information with a bearing upon the rights and interests of consumers, it shall report to the competent authority in writing within two days and explain the matter publicly.

The explanatory documents referred to in paragraph 1, and the contents as well as the timing and manner of disclosure of the major information referred to in the preceding paragraph, shall be prescribed by the competent authority.

Article 148-3. An insurance enterprise shall establish internal control and auditing systems. Regulations governing such systems shall be prescribed by the competent authority. An insurance enterprise shall establish internal handling systems and procedures for: assessment of asset quality; provision for various kinds of reserves; resolution of overdue loans and non-accrual loans; write-off of bad debts; and policy solicitation, underwriting, and claims settlement. Regulations governing such systems and procedures shall be prescribed by the competent authority.

Article 149. If an insurance enterprise violates laws, regulations, or its articles of incorporation, or is suspected of improper management, the competent authority may issue an official reprimand or order it to take corrective action within a specified period of time, and may, depending on the circumstances, take the following disciplinary actions:

1. Restrict the scope of its business or funds allocations.
2. Order the insurance enterprise to suspend sales of an insurance product or products or restrict its launch of new insurance products.
3. Order the insurance enterprise to increase its capital.
4. Order removal of its managers or employees from their positions.
5. Revoke the resolutions of statutory meetings.

6. Dismiss its directors or supervisor(s), or suspend them from their duties for a certain period of time.

7. Any other necessary disposition.

If directors or supervisors are dismissed pursuant to the provisions of preceding paragraph, subparagraph 6, the competent authority shall notify the competent authority for company (cooperative) registration to cancel the registration of the directors and supervisors.

When an insurance enterprise is incapable of paying its debts or fulfilling its contract obligations or is likely to undermine the rights of insured parties due to significantly deteriorating business or financial standing, the competent authority shall first mandate that the insurance enterprise submit a financial or business improvement plan. The plan must be approved by the competent authority. Unless it is caused by major domestic or international events and systematic factors that have a significant influence on the financial market, the competent authority may impose dispositions as follow in light of the varied severities of the conditions if the gains and losses or net value of the insurance enterprise show speedy deterioration or fail to show improvements despite assistance and accordingly result in the insurance enterprise being unable to pay its debts or fulfill its contract oblilgations.

1. Place the enterprise under conservatorship.
2. Place the enterprise under receivership.
3. Order the enterprise to suspend business and undergo rehabilitation.
4. Order dissolution of the insurance enterprise.

In case of conservatorship, receivership, suspended business, rehabilitation, or dissolution as indicated in the foregoing paragraph, the competent authority may authorize another insurance enterprise, insurance-related institution, or professional to serve as conservator, receiver, rehabilitator, or liquidator. When the matters fall within the scope of the stabilization fund's jurisdiction as indicated in Article 143-3, the stabilization fund shall cooperate in related management. When an insurance enterprise is placed under receivership or ordered to suspend business and undergo rehabilitation, the provisions of the Company Act pertaining to temporary managers and inspectors do not apply, and with the exception of a reorganization filed for in accordance with the provisions of this Act, any other petition for reorganization, bankruptcy, or composition shall be automatically stayed, as shall any compulsory execution proceeding.

A receiver filing for reorganization in accordance with the provisions of this Act may petition the court to hear or rule upon its petition together with any petition for reorganization filed by the insurance enterprise under receivership before it was placed under receivership. The court may as necessary question interested parties before issuing a ruling.

If an insurance enterprise has been placed under conservatorship by the competent authority pursuant to the provisions of paragraph 4, subparagraph 1, the insurance enterprise may not perform any of the following acts without the consent of the conservator:

1. Make payments or dispose of property in excess of a limit prescribed by the competent authority.
2. Enter into any contract or undertake material obligations.
3. Any other matter that would significantly affect its finances.

The relevant provisions of Article 148 shall apply mutatis mutandis to the conservator's performance of his/her duties as conservator.

The competent authority shall prescribe regulations governing the procedures for conservatorship or receivership of insurance enterprises, the duties of conservators and receivers, fee burdens, and other compliance matters.

Article 149-1. When someone is sent to receive an insurance enterprise by the competent authority, the receiver shall exercise its management power and manage or dispose of the property. The original functions of the shareholders' meeting, Board of Directors, directors, supervisors, Board of Auditors, or similar institutions are discontinued immediately.

The receiver indicated in the preceding paragraph is entitled to take all legal and non-legal actions on behalf of the insurance enterprise it receives and may assign a natural person to exercise the said duties on its behalf. Provisions of Article 17 of the Administrative Execution Act and Article 24, Paragraph 3 of the Tax Collection Act do not apply to the performance of duties by the receiver. Directors, managers, or persons holding other similar positions in the insurance enterprise shall transfer all account books, documents, and property relating to business and financial matters to the receiver along with a list of what has been transferred. The directors, supervisors, managers, and other staff shall be obligated to respond to the receiver's inquiries concerning business and financial matters. Collateral warranty may be waived when the receiver files for provisional attachment or provisional injunction while performing duties.

Article 149-2. During the period in which an insurance enterprise is under receivership, the competent authority may restrict its ability to write new business, modify or terminate in-force insurance contracts, provide proposers with loans secured by insurance contracts, or pay the surrender value of insurance contracts. In cases of the following acts while performing duties, the receiver shall prepare substantial solutions to be approved by the competent authority in advance:

1. Carry out a capital increase, or capital decrease followed by capital increase.
2. Assign operations, assets, or liabilities in whole or in part.

3. Separation from or merge with another insurance enterprise.

4. Restructuring to be filed for with the court when reconstruction and regeneration are possible

5. Other important matters required by the competent authority

When after evaluation, the receiver believes that it helps protect the basic rights of the insured or financial stability while the insurance enterprise is placed under receivership, the receiver may stipulate a transition insurance mechanism and solution that shall be enforced with prior approval from the competent authority. The provisions of Article 139-1 do not apply when the receiver holds issued voting shares of the insurance enterprise placed into receivership in accordance with Paragraph 2, Subparagraph 1 or 3.

When a court receives a petition for reorganization filed by a receiver in accordance with the provisions of this Act, it may proceed forthwith to issue a ruling within 30 days on the basis of operational and final examination reports and opinions provided by the competent authority.

When an insurance enterprise is undergoing reorganization, rights arising out of its insurance contracts shall constitute preferential claims and need not be declared as rights of creditors in reorganization.

The insurance enterprises for which a receiver may file for reorganization are not limited to companies that have publicly issued stock or corporate bonds, and except as otherwise provided in this Act, the reorganization thereof shall be subject mutatis mutandis to the provisions of the Company Act relating to reorganization. When a receiver intends to assign operations, assets, or liabilities in whole or in part in accordance with paragraph 2, subparagraph 2, if premium rates on the in-force contracts of the insurance enterprise under receivership are significantly out of line given current conditions and the other insurance enterprise will not accept the assignment unless premium rates are increased or insured amounts are reduced, the receiver may adjust premium rates or insured amounts after approval is granted by the competent authority.

Article 149-3. The period of conservatorship or receivership shall be determined by the competent authority. If during the period of conservatorship or receivership, the reason for conservatorship or receivership ceases to exist, the conservator or receiver shall report to the competent authority and request termination of conservatorship or receivership. When the period of receivership expires, or if the competent authority decides to terminate the receivership prior to expiration of the period of receivership, the receiver shall transfer all relevant account books, documents, and property relating to business and financial matters of the insurance enterprise to the representative of the insurance enterprise along with a list of what has been transferred.

Article 149-4. When an insurance enterprise organized as a company is ordered to dissolve in accordance with the provisions of Article 149, the provisions of the Company Act concerning liquidation of a company limited by shares shall apply mutatis mutandis to the enterprise's liquidation procedures unless otherwise provided in this Act. If the insurance enterprise is organized as a cooperative, the provisions of the Cooperative Act concerning liquidation shall apply mutatis mutandis, provided that if special liquidation procedures are required for any of the reasons contained in Article 335 of the Company Act, the procedures for special liquidation of a company limited by shares, as set forth in the Company Act, shall apply mutatis mutandis.

Article 149-5. Remuneration of the conservator, receiver, rehabilitator, or liquidator, and expenses arising from the performance of their duties, shall be borne by the insurance enterprise under conservatorship, receivership, rehabilitation, or liquidation, and shall take precedence over the rights of other creditors.

The remuneration referred to in the preceding paragraph shall be submitted to the competent authority for approval.

Article 149-6. When an insurance enterprise is ordered by the competent authority, pursuant to the provisions of Article 149, paragraph 3, into conservatorship, receivership, suspension of business and rehabilitation, or dissolution, the competent authority may instruct the relevant authorities or institutions to prohibit the insurance enterprise, its responsible person, or any of its employees suspected of violating the law, from transferring, delivering, or otherwise encumbering property of the enterprise, and may also request by letter that immigration authorities prevent such persons from leaving the country.

Article 149-7. When an insurance enterprise organized in the form of a company limited by shares takes assignment of the operations, assets, or liabilities of another insurance enterprise that is under receivership pursuant to Article 149-2, paragraph 2, subparagraph 2, the following provisions shall apply:

1. For a company limited by shares, assumption in whole of operations, assets, or liabilities shall proceed upon adoption of a resolution by a majority vote of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares. Dissenting shareholders may not request repurchase of their shares and the requirements of Article 185 to 187 of the Company Act shall be waived.

2. Notice of the assignment of creditors' rights shall be given by public announcement, and the requirements of Article 297 of the Civil Code shall be waived.

3. Where debt is assumed, the provision of Article 301 of the Civil Code requiring acknowledgement by the creditor shall be waived.

4. Where the competent authority deems that there is a need for urgent measures and that there will be no material adverse impact on market competition, the requirement to report a business combination to the Fair Trade Commission under Article 11, paragraph 1 of the Fair Trade Act shall be waived.

Where an insurance enterprise merges, pursuant to Article 149-2, paragraph 2, subparagraph 2, with an insurance enterprise under receivership, the provisions of subparagraphs 1 and 4 of the preceding paragraph shall apply, notice of merger or dissolution may be given by public announcement, and the requirements of Article 316, paragraph 4 of the Company Act shall be waived.

Article 149-8. For rehabilitation of an insurance enterprise, the competent authority shall appoint a rehabilitator, and may dispatch personnel to supervise the rehabilitation. The duties of the rehabilitator are as follows:

1. To wind up pending matters.
2. To collect assets and discharge liabilities.
3. Assign remaining properties.

When an insurance enterprise is ordered by the competent authority to suspend business and undergo rehabilitation, the provisions of Article 149-1, Article 149-2, Paragraphs 1, 2, 4, and 8 shall apply.

When an insurance enterprise takes assignment of the operations, assets, or liabilities of, or merges with, an insurance enterprise under rehabilitation, it shall comply with the provisions of the preceding article.

Article 149-9. After being instated, the rehabilitator shall immediately make public announcement for at least three days in a daily newspaper published in the area where the insurance enterprise is located, notifying creditors to file their claims within thirty days and stating that in case of failure to file within the time limit such claims will not be included in the rehabilitation proceeding, provided that this restriction does not apply to claims known to the rehabilitator.

The rehabilitator shall immediately ascertain the status of the insurance enterprise's assets; prepare a balance sheet and list of property within three months from the expiration of the time limit for filing a claim; prepare a rehabilitation plan; submit all of the above to the competent authority; and publicize the balance sheet in a daily newspaper published in the area where the insurance enterprise is located. During the filing period set forth in paragraph 1, the rehabilitator may not make payment to creditors, provided that employee salaries that are due are not subject to this restriction.

Article 149-10. For an insurance enterprise that has been ordered by the competent authority into suspension of business and rehabilitation, creditors'

rights shall not be exercised by any third party against the insurance enterprise other than through the rehabilitation proceeding set forth in paragraph 1 of the preceding article, except for rights that have been ascertained through litigation procedures.

If the distribution of payment of creditors' rights referred to in the preceding paragraph is likely to be delayed due to litigation, the rehabilitator may set aside an amount based on the rehabilitation distribution ratio, and distribute the balance of the property to other creditors.

The following creditors' rights shall be excluded from rehabilitation:

1. Expenses incurred by creditors for personal benefit while taking part in the rehabilitation proceeding.

2. Damages and penalties owed by the insurance enterprise due to non-performance of debt obligations after the day of suspension of business.

3. Criminal fines, administrative fines, and arrears fees.

Those holding pledges, mortgages, or liens on property of the insurance enterprise prior to the day of suspension of business shall enjoy the right of exclusion with respect to such property. Creditors with the right of exclusion may exercise their creditors' rights independently of the rehabilitation proceeding, provided that for debts that remain unsettled after exercise of the right of exclusion, such creditors may file a claim in accordance with the rehabilitation proceeding.

Expenses and debts incurred by the rehabilitator in the execution of rehabilitation duties have priority over payment of creditors, and shall be reimbursed on a running basis from the property of the insurance enterprise under rehabilitation. The limitations period for claiming payment for creditors' rights shall be interrupted from the time that a claim is filed or that rights known to the rehabilitator are included in the rehabilitation pursuant to paragraph 1 of the preceding article, and shall resume from the day the rehabilitation is completed.

Where a creditor has received payment through the rehabilitation proceeding, right of claim against the insurance enterprise for the portion of credit not fully paid up shall be deemed extinguished. After completion of rehabilitation, if distributable property is discovered, supplemental distribution shall be carried out. If there is any balance after paying those creditors who are listed in the rehabilitation proceeding, the creditors referred to in paragraph 3 shall be entitled to claim it.

Article 149-11. When an insurance enterprise is ordered by the competent authority to suspend business and undergo rehabilitation, after rehabilitation liquidation in accordance with the provisions of the Company Act or the Cooperative Act is not required. Within fifteen days of completion of the rehabilitation, the rehabilitator shall: prepare a revenue and expense statement, a profit and loss statement, and various account books for the

rehabilitation period; publicize the revenue and expense statement and the profit and loss statement in newspapers published in the area where the insurance enterprise is located, and on a website designated by the competent authority; and submit a report to the competent authority requesting that it revoke insurance the enterprise's business permit.

After rehabilitation is completed, the insurance enterprise shall use the date its permit is abolished by the competent authority as the date when voidance of registration is applied for with the competent authority for companies or cooperatives, with the date for closing of an account for the immediate term being applied for in accordance with the provisions of Article 75, Paragraph 1 of the Income Tax Act.

Article 150. When an insurance enterprise is dissolved and liquidated, its business license shall be revoked.

SECTION 2. INSURANCE COMPANIES

Article 151. Except as otherwise provided for in this Act, the provisions of the Company Act relating to companies limited by shares are applicable to insurance companies.

Article 152. The shares of an insurance company may not be in bearer form.

Article 153. Where an insurance company violates insurance laws or regulations in conducting its business, and this results in a situation where its assets are insufficient to pay off its debts, its chairman of the board of directors, directors, supervisors, president, and managers responsible for deciding such business matters shall bear unlimited joint and several liability to the company's creditors.

The competent authority may notify the relevant authorities or institutions that they are prohibited from transferring, delivering, or otherwise encumbering property of persons who shall bear the unlimited joint and several liability referred to in the preceding paragraph, and may also instruct immigration authorities in writing to prevent such persons from leaving the country.

Each of the said responsible persons shall be discharged from the liability referred to in paragraph 1 three years after the date of registration of dismissal from his/her position.

Article 154 (Deleted).

Article 155 (Deleted).

Section 3. Insurance Cooperatives

Article 156. In addition to the provisions of this Act, an insurance cooperative shall also be governed by the provisions of the Cooperative Act and other relevant laws and regulations.

Article 157 In addition to raising membership share capital in accordance with the Cooperative Act, an insurance cooperative shall, as necessary, take other measures pursuant to this Act to ensure that its authorized fund meets the legal requirement.

The fund referred to in the preceding paragraph may not be retired until the surplus has accumulated to an amount equal to the total amount of the fund.

Article 158. Where an insurance cooperative does not have sufficient existing assets to pay off its debts when a member withdraws from the cooperative, the withdrawing member shall continue to bear the liability that he/she bore prior to withdrawal.

Article 159. A director of an insurance cooperative may not concurrently serve as a director, supervisor, or member with unlimited liability of another cooperative.

Article 160 (Deleted).

Article 161. Members of an insurance cooperative may not use their creditors' rights with respect to the cooperative to offset their subscriptions to membership share capital or other elements of the cooperative's fund.

Article 162. The start-up membership of a cooperative engaged in non-life insurance may not be less than three hundred persons. The start-up membership of a cooperative engaged in insurance of the person may not be less than five hundred persons.

Section 4. Insurance Agents, Brokers, and Surveyors

Article 163. An insurance agent, broker or surveyor shall have obtained permission from the competent authority, posted bond and obtained related insurance, and obtained a practice license before beginning business operation or practice. The related insurance set out in the preceding paragraph means liability insurance for insurance agents and surveyors, and liability insurance as well as bonding insurance for insurance brokers.

The minimum amount of bond to be posted and the related insurance to be obtained as referred to in the preceding paragraph and the method of implementation shall be determined by the competent authority in consideration of the business operations, scope of business, and business size of insurance agents, brokers and surveyors. Regulations governing compliance matters concerning insurance agents, brokers and surveyors, including obtaining of qualifications, eligibility conditions, procedures, and required documentation for application of permit, qualification requirements for directors, supervisors, and managerial officers and causes for dismissal, criteria for establishment of branch units, business and financial management, education and training, revocation of permit, and other matters of compliance shall be set forth by the competent authority.

Insurance agents, brokers, and surveyors that have obtained a practice license prior to the enforcement of this article amended on 14 June 2011 shall, within six months from the date of enforcement, post bond and obtain related insurance. For insurance agents, brokers and surveyors that fail to do so before the specified deadline, the competent authority will revoke their permit and cancel their practice license.

Article 164 (deleted).

Article 164-1. If an insurance agent, broker or surveyor violates laws or regulations, or is suspected of improper management, the competent authority may issue an official reprimand or order it to take corrective action within a specified period of time, and may, depending on the circumstances, take the following disciplinary actions:

1. Restrict the scope of business operation or business practice of the insurance agent, broker or surveyor.
2. Order the company to remove its manager(s) or employee(s) from their positions.
3. Dismiss its director(s) or supervisor(s), or suspend them from their duties for a certain period of time.
4. Any other necessary disposition.

If a director or supervisor of an insurance agent, broker or surveyor is dismissed pursuant to subparagraph 3 of the preceding paragraph, the competent authority shall notify the authority for company registration to cancel the registration of said director or supervisor.

Article 165. An insurance agent, broker, or surveyor shall have a fixed place of business and set up separate ledgers to record his or her business income and expenditures. A person with simultaneous qualifications of insurance agent, and/or broker, and/or surveyor may only apply for practice license for one of the businesses. An insurance agency company or broker company of certain sizes shall establish internal control and audit systems as well as business solicitation systems and procedures. Regulations governing such systems shall be set forth by the competent authority.

The provisions of Article 142 and Article 148 herein shall apply mutatis mutandis to insurance agents, brokers and surveyors.

Section 4-1. Trade associations.

Article 165-1. An insurance enterprise, agent, broker, or surveyor company may not engage in business until it has became a member of the association; without legitimate reason, the association may not deny an application for membership thereby or attach improper conditions to it.

Article 165-2. To ensure sound operations and maintain the reputations of its members, the association shall carry out the following matters:

1. Draw up general operating bylaws, self-regulatory, and practical codes, and then provide these, to members for their compliance as the competent authority agreed to file for recordation.

2. Exercise necessary guidance for members' running business and coordinate disputes between them.

3. Handle matters required and entrusted by the competent authority.

4. Handle other matters as necessary to develop insurance business and achieve the mission of the association.

To carry out the matters set forth in the preceding paragraph, the association may require members to provide relevant information or make explanations.

Article 165-3. The competent authority shall prescribe regulations for the supervision of operational and financial affairs of the association, the contents of constitution, the required qualifications of responsible men and related persons, and other compliance matters.

Article 165-4. Where a director or supervisor of the association violates laws or regulations, fails to obey the association's constitution or bylaws, abuses his or her authority, or breaches the principle of good faith, the competent authority may issue an official reprimand or order the association to dismiss the actor.

Article 165-5. When necessary to ensure the soundness of insurance market or safeguard interests of the insured, the competent authority may order the association to amend its constitution, bylaws, rules, resolutions, or to provide reference materials, reports, or to perform other certain acts. The association may, in accordance with its constitution, impose necessary sanctions against members or members' representatives who violate the constitution, bylaws, self-regulatory rules, or resolutions made by the convention or the board of directors.

Article 165-7. Amendments to the association's constitution, and minutes of the board of directors and of supervisors, shall be filed for recordation as the competent authority agreed.

Section 5. Penal Provisions

Article 166. Enterprises that engage in the business of insurance without obtaining approval from the competent authority in accordance with the provisions of Article 137 of this Act shall be ordered to suspend business, and shall be assessed an administrative fine of not less than New Taiwan Dollars three million but not more than New Taiwan Dollars fifteen million.

Article 166-1. People who spread rumors or apply illegitimate tactics to smear an insurance enterprise or the credit of a foreign insurance enterprise will be sentenced up to 5 years in prison, which may be offset with a fine of no more than NTD 10 million.

Article 167. A non-insurance enterprise that engages in the operation of insurance business or of a business similar to insurance shall be punished by a prison term of not less than three years but not more than 10 years, and in addition may be assessed a criminal fine of not less than New Taiwan Dollars 10 million but not more than New Taiwan Dollars two hundred million. Where its gains from the crime are New Taiwan Dollars one hundred million or more, it shall be punished by a prison term of not less than seven years, and in addition may be assessed a criminal fine of not less than New Taiwan Dollars twenty-five million but not more than New Taiwan Dollars five hundred million.

Where a juristic person commits the offense described in the preceding paragraph, the persons responsible for the offense shall be punished.

Article 167-1. Any person who provides agent, broker, surveyor services for insurance enterprises or foreign insurance enterprises not approved under the Act shall be subject to a prison term of not more than three (3) years, and in addition thereto, a fine of not less than New Taiwan Dollars three million (NT$3,000,000) but not more than New Taiwan Dollars twenty million (NT$20,000,000). For violations deemed severe, the competent authority may order the violating insurance agent, broker or surveyor to suspend business or revoke the offender's practice license. Where the offender in the preceding paragraph is a juristic person, the responsible person of the offender shall be punished.

Any person who operates or practices the business of an insurance agent, broker or surveyor without a practice license as provided in Paragraph 1 of Article 163 herein is subject to a fine of not less than New Taiwan Dollars nine hundred thousand (NT$900,000) but not more than New Taiwan Dollars four million five hundred thousand (NT$4,500,000).

Article 167-2. In case of a violation of the regulations set forth in accordance with Paragraph 4 of Article 163 herein regarding business or financial management, or violation of Paragraph 1 of Article 165 herein, a time limit for rectification shall be specified, and in addition thereto, an administrative fine of not less than New Taiwan Dollars six hundred thousand (NT$600,000) but not more than New Taiwan Dollars three million (NT$3,000,000) may also be assessed. For violations deemed severe, an order may be issued to revoke the offender's permit and cancel his or her practice license.

Article 167-3. Insurance agency companies and insurance broker companies that fail to establish or diligently implement internal control and audit systems, or business solicitation systems or procedures are subject to a fine of not less than New Taiwan Dollars six hundred thousand (NT$600,000) but not more than New Taiwan Dollars three million (NT$3,000,000).

Article 167-4. When the competent authority dispatches officers to inspect the business and financial conditions of an insurance agent, broker or surveyor, or order an insurance agent, broker or surveyor to report the condition of its business within a specified time limit pursuant to Paragraph 4 of Article 165 herein to which Article 148 applies mutatis mutandis, a fine of not less than New Taiwan Dollars three hundred thousand (NT$300,000) but not more than New Taiwan Dollars one million five hundred thousand (NT$1,500,000) will be meted out if the insurance agent, broker or surveyor himself or herself, or an responsible person or employee of the insurance agent, broker or surveyor has any of the situations:

1. Refusing to allow inspection or to open the safe or other storage rooms.
2. Concealing or destroying account books or documents related to the business or financial conditions of the insurance agent, broker or surveyor.
3. Refusing to respond to, or making false representation in response to an inspector's queries without cause.
4. Missing the deadline for submission of financial reports, property list, or other related information and reports, or making false or incomplete representations, or missing the deadline for payment of inspection fees.

Where the competent authority dispatches an officer to conduct inspection of an affiliate of an insurance agent, broker or surveyor, or any other financial institution related thereto pursuant to Paragraph 4 of Article 165 herein to which Article 148 applies mutatis mutandis, the inspected entity that is remiss in submitting the financial statements, account books, documents, or relevant transaction records shall be assessed a fine of not less than New Taiwan Dollars three hundred thousand (NT$300,000) but not more than New Taiwan Dollars one million five hundred thousand (NT$1,500,000).

Article 167-5. An insurance enterprise that has business dealings with an insurance agent, broker or surveyor as described in Paragraph 3 of Article 167-1 herein shall be subject to a fine of New Taiwan Dollars one million five hundred thousand (NT$1,500,000) but not more than New Taiwan Dollars four million five hundred thousand (NT$4,500,000).

Article 168. If an insurance enterprise violates the provisions of Article 138, paragraph 1, 3, or 5, or the provisions relating to business scope in regulations prescribed by the competent authority pursuant to Article 138, paragraph 2, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed.

If an insurance enterprise violates the provisions of Article 138-2, paragraph 2, 4, 5, or 7, or Article 138-3, paragraph 1 or 2, or the provisions

relating to the amount to be provisioned for the compensation reserve fund and the manner of such provisioning as set out in regulations prescribed by the competent authority pursuant to paragraph 2 of that same article, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed; where the circumstances are severe, the enterprise's permit to engage in insurance trust business may also be revoked.

Where an insurance enterprise violates Article 143, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than New Taiwan Dollars four million five hundred thousand shall be imposed. Where any one of the following circumstances obtains with respect to the funds allocation of an insurance enterprise, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than New Taiwan Dollars four million five hundred thousand shall be imposed, or the enterprise shall be ordered to replace its responsible person; where the circumstances are severe, its business license may also be revoked:

1. A violation of Article 146, paragraph 1, 3, 5, or 7, or the provisions relating to administration and custody of special ledgers or the allocation of investment assets as set out in regulations prescribed by the competent authority pursuant to paragraph 6 of that same article, or a violation of provisions relating to the terms and conditions of derivatives trading by insurance enterprises, the scope thereof, transaction limits, or internal handling procedures as set out in regulations prescribed by the competent authority pursuant to paragraph 8 of that same article.
2. A violation of Article 146-1, paragraph 1, 2, or 3, or the provisions relating to eligibility conditions, scope and type of investments, and investment rules as set out in regulations prescribed by the competent authority pursuant to paragraph 5 of that same article.
3. A violation of the provisions of Article 146-2.
4. A violation of the provisions of Article 146-3, paragraph 1, 2, or 4.
5. A violation of Article 146-4, paragraph 1 or 2, or the provisions relating to investment rules or investment limits as set out in regulations prescribed by the competent authority pursuant to paragraph 3 of that same article.
6. A violation of the forepart of paragraph 1 of Article 146-5, or of the provisions relating to scope of or limits upon investments as set out in regulations prescribed by the competent authority pursuant to the latter part of that same article.
7. A violation of Article 146-6, paragraph 1 or 2, or the provisions relating to the method of reporting investments as set out in regulations prescribed by the competent authority pursuant to paragraph 3 of that same article.

8. A violation of the provisions relating to limits on loans or other transactions as set out in regulations prescribed by the competent authority pursuant to Article 146-7, paragraph 1, or of the provisions relating to procedures for the adoption of resolutions or limits on transaction size as set out in regulations prescribed by the competent authority pursuant to Article 146-7, paragraph 3.

9. A violation of the provisions of Article 146-9, paragraph 1, 2, or 3.

10. Where a secured loan made by an insurance enterprise under Article 146-3, paragraph 3 or Article 146-8, paragraph 1 is not fully secured or the conditions are better than those extended to other loanees of the same class, the person responsible for the act shall be sentenced to imprisonment for not more than three years or detention, and in addition may be assessed a criminal fine of not more than New Taiwan Dollars twenty million.

Where a secured loan made by an insurance enterprise under Article 146-3, paragraph 3 or Article 146-8, paragraph 1 reaches or exceeds the monetary amount prescribed by the competent authority without approval by three-quarters of the directors present at a board of directors meeting attended by at least two-thirds of the directors, or where an insurance enterprise violates the provisions relating to loan limits and aggregate loan balances as set out in regulations prescribed by the competent authority pursuant to Article 146-3, paragraph 3, the person responsible for the act shall be assessed an administrative fine of not less than New Taiwan Dollars two million but not more than New Taiwan Dollars ten million.

Article 168-1. Where the competent authority, pursuant to Article 148, dispatches an officer or commissions an appropriate institution or expert to inspect the business and financial conditions of an insurance enterprise, or orders an insurance enterprise to report the status of its business within a specific time limit, a responsible person or an employee of the insurance enterprise who commits any of the following acts shall be assessed an administrative fine of not less than New Taiwan Dollars one million and eight hundred thousand but not more than New Taiwan Dollars nine million:

1. Refusing to allow inspection or to open the safe or other storage areas.

2. Concealing or destroying account books or documents related to the enterprise's business or financial conditions.

3. Refusing to respond to, or making false representation in response to, an investigator's queries without cause.

4. Missing the deadline for submission of financial reports, a list of assets, or other related information and reports, or in submitting such items, making false or incomplete representations, or missing the deadline for payment of inspection fees. Where the competent authority dispatches an officer to conduct inspection pursuant to Article 148, paragraph 4, an

affiliate of the insurance enterprise, or any other financial institution related thereto, that fails to submit the financial statements, account books, documents, or relevant transaction records shall be assessed an administrative fine of not less than New Taiwan Dollars one million eight hundred thousand but not more than New Taiwan Dollars nine million.

Article 168-2. Where a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise, operates the insurance enterprise improperly with intent to reap illegal gains for himself/herself or a third party or to harm the interests of the insurance enterprise, and by such action harms property or interests of the insurance enterprise, shall be sentenced to a prison term of not less than three years but not more than 10 years, and in addition thereto, may also be assessed a criminal fine of not less than New Taiwan Dollars 10 million but not more than New Taiwan Dollars two hundred million. Where gains from the crime are New Taiwan Dollars one hundred million or more, such person shall be punished by a prison term of not less than seven years, and in addition may be assessed a criminal fine of not less than New Taiwan Dollars twenty-five million but not more than more than New Taiwan Dollars five hundred million.

Where two or more responsible persons or employees of an insurance enterprise, or persons using other people's names to make investments through which they are able to exercise direct or indirect control over the personnel, financial, and business matters of an insurance enterprise, act jointly in committing a crime described in the preceding paragraph, the penalty may be increased by up to one-half. Any attempted offense described in paragraph 1 shall be punishable.

Article 168-3. A person who commits an offense as set out in Article 167 or Article 168-2 and subsequently voluntarily surrenders himself or herself before the offense is discovered, if there is criminal gain and he or she voluntarily hands over the gained assets in full, shall have his or her punishment reduced or remitted. Where another principal offender or an accomplice is captured as a result, his or her punishment shall be remitted.

A person who commits an offense as set out in Article 167 or Article 168-2 and confesses during the prosecutorial inquiry, if there is criminal gain and he or she voluntarily hands over the gained assets in full, shall have his or her punishment reduced. Where another principal offender or an accomplice is captured as a result, his or her punishment shall be reduced by one-half.

Where the criminal benefit gained by a person through commission of the offense in Article 167 or Article 168-2 exceeds the maximum amount of

the criminal fine, the fine may be increased within the scope of the benefit gained; if the stability of the insurance market is harmed, the fine shall be increased by one-half.

Article 168-4. Any asset or property benefit gained through commission of a crime under this Act, other than that which shall be returned to a victim or person entitled to claim damages, and where it belongs to the offender, shall be confiscated. If the whole or a part of such gain cannot be confiscated, the value thereof shall be collected from the offender or satisfied out of his or her property.

Article 168-5. Where a criminal fine assessed for an offense under this Act is New Taiwan Dollars fifty million or more and the offender lacks the ability to pay it in full, it shall be commuted to labor for a period of not more than two years, to be calculated by the ratio of the total amount of the fine to the number of days in two years; where the criminal fine assessed is New Taiwan Dollars one hundred million or more and the offender lacks the ability to pay it in full, it shall be commuted to labor for a period of not more than three years, to be calculated by the ratio of the total amount of the fine to the number of days in three years.

Article 168-6. Where "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in Article 168-2, paragraph 1 does any gratuitous act that is prejudicial to the rights of an insurance enterprise, the insurance enterprise may petition a court to revoke the act.

Where "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in the preceding paragraph does any non-gratuitous act knowing at the time of the act that it is prejudicial to the rights of an insurance enterprise and the beneficiary of the act also knows the circumstances at the time the benefit is received, the insurance enterprise may petition a court to revoke the act. A party petitioning for revocation in accordance with either of the preceding two paragraphs may also petition the court to order the beneficiary or any party to whom the benefit is transferred to restore the status quo ante, provided this does not apply where the party to whom the benefit is transferred was not aware at the time of transfer that there was cause for revocation.

Any disposition of property between "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance

enterprise" as set forth in paragraph 1 and such a person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a non-gratuitous act.

Any disposition of property between "a responsible person or employee of an insurance enterprise, or any person using another person's name to make investments through which he or she is able to directly or indirectly control the personnel, financial, or business operations of an insurance enterprise" as set forth in paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a non-gratuitous act.

The right of revocation under paragraphs 1 and 2 shall be extinguished one year after the time the insurance enterprise learns there is cause for voidance if the insurance enterprise fails to exercise, or 10 years after the time of the act.

Article 168-7. The crimes set forth in Article 168-2, paragraph 1 are serious crimes as defined in Article 3, paragraph 1 of the Money Laundering Control Act.

Article 169. If an insurance enterprise violates the provisions of Article 72 of this Act by underwriting insurance in excess of the value of the subject matter insured, the portion in violation shall become void, and the offense shall also be punished by an administrative fine of not less than New Taiwan Dollars four hundred fifty thousand but not more than New Taiwan Dollars two million two hundred fifty thousand.

Article 169-1 (Deleted).

Article 169-2. An insurance enterprise found with one of the following conditions will be reported by the stabilization fund to the competent authority for a fine of NTD 300 thousand to NTD 1.5 million at maximum. The person-in-charge may be replaced under severe circumstances.

1. It fails to make contributions to the stabilization fund or refuses to pay for it.
2. It violates the provisions of Article 143-3, Paragraph 5 by failing to create electronic data files or refusing to provide electronic data files as required, or providing electronic data files that are seriously untrue.
3. It circumvents, obstructs with, or refuses inspections performed by the stabilization fund in accordance with the provisions of Article 143-3, Paragraph 6.

Article 170 (Deleted).

Article 170-1. Where an insurance enterprise violates the provisions relating to the manner in which insurance enterprises cede or assume reinsurance or operate other risk spreading mechanisms, or limits applying thereto, as set out in regulations prescribed by the competent authority pursuant to Article 147, an administrative fine of not less than New Taiwan

Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed.

If a professional reinsurance enterprise violates the provisions relating to business scope or financial management as set out in regulations prescribed by the competent authority pursuant to Article 147-1, paragraph 2, an administrative fine of not less than New Taiwan Dollars nine hundred thousand but not more than four million five hundred thousand shall be imposed.

Article 171. An insurance enterprise that violates the provisions of Article 144 or 145 shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million, and in addition thereto may be ordered to remove and replace its underwriters or actuaries.

Article 171-1. An insurance enterprise that violates the provisions of Article 148-1, paragraph 1 or 2 shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million. An insurance enterprise that violates the provisions of Article 148-2, paragraph 1 by not making explanatory documents publicly available for inspection, or submitting explanatory documents that do not contain required information, or submitting explanatory documents containing misrepresentations, shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

An insurance enterprise that violates the provisions of Article 148-2, paragraph 2 by failing to report to the competent authority or to provide a public explanation within the specified time period, or by making false representations in its reports to the competent authority or public explanations, shall be assessed an administrative fine of not less than New Taiwan Dollars three hundred thousand but not more than New Taiwan Dollars one million five hundred thousand.

An insurance enterprise that violates the provisions of Article 148-3, paragraph 1 by failing to establish or enforce internal control or auditing systems shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

An insurance enterprise that violates the provisions of Article 148-3, paragraph 2 by failing to establish or enforce internal handling systems or procedures shall be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

Article 171-2. Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 1, 2 or 4 by acquiring shares without

reporting to or obtaining approval from the competent authority shall be assessed an administrative fine of not less than New Taiwan Dollars four hundred thousand (NT$400,000) but not more than New Taiwan Dollars four million (NT$4,000,000).

Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 5 concerning reporting or announcement of shareholding and other important changes or violate the provisions of paragraph 6 of the same article by failing to dispose of shares within a given time period shall be assessed an administrative fine of not less than New Taiwan Dollars four hundred thousand (NT$400,000) but not more than New Taiwan Dollars four million (NT$4,000,000). Shareholders of an insurance company that violate the provisions of Article 139-1, paragraph 7 by failing to make notification shall be assessed an administrative fine of not less than New Taiwan Dollars one hundred thousand (NT$100,000) but not more than New Taiwan Dollars one million (NT$1,000,000).

Article 172. If an insurance enterprise that has had its registration voided delays in carrying out liquidation procedures, each responsible person may be assessed an administrative fine of not less than New Taiwan Dollars six hundred thousand but not more than New Taiwan Dollars three million.

Article 172-1. When an insurance enterprise has been ordered by the competent authority into conservatorship, receivership, or suspension of business and rehabilitation, the directors, supervisors, managers, or other staff of the insurance enterprise shall, under any of the following circumstances, be sentenced to imprisonment of not less than one year but not more than seven years, and may in addition be assessed a criminal fine of not more than New Taiwan Dollars twenty million:

1. It refuses to transfer to the conservator, receiver, or rehabilitator account books and documents, seals, and a list of assets related to the insurance enterprise's business and financial matters, or fails to transfer them completely.
2. It conceals or destroys account books or documents related to business matters, conceals or destroys assets of the insurance enterprise, or otherwise disposes thereof to the detriment of creditors' rights.
3. It counterfeits a debt or acknowledges false debts.
4. It refuses to respond to the inquiries of the conservator, receiver or rehabilitator without cause, or responds with untrue answers, thereby affecting the rights and interests of insured persons or beneficiaries.

Article 172-2. If an insurance enterprise, after having been punished in accordance with the provisions of this Section, fails to make corrections within the time period provided that the punishment for the same fact or action may be increased by 100 percent to 500 percent.

Article 173 (Deleted)

CHAPTER VI. SUPPLEMENTARY PROVISIONS

Article 174. Social insurance is to be separately prescribed by an act of law.

Article 174-1. A court may establish a specialized division or designate a specific person(s) to try criminal cases involving violation of this Act.

Article 175. Enforcement Rules to this Act shall be prescribed by the competent authority.

Article 175-1. In order to further international cooperation between the competent insurance authorities of the ROC government and foreign countries, the ROC government and agencies (or institutions) authorized by it may, based on the principle of reciprocity, enter into a cooperative treaty or agreement with a foreign government or agency (institution), or with an international organization, to facilitate matters such as information exchange, technical cooperation, and investigative assistance. Unless such action otherwise conflicts with the interests of the state or the rights of the insurance-buying public, the competent authority may, in accordance with the treaty or agreement made pursuant to the preceding paragraph, request the provision of necessary information from related authorities and agencies (institutions) in accordance with the law, and based on the principles of reciprocity and confidentiality, provide such information to the foreign government, agency (institution), or international organization which has executed the given treaty or agreement with the ROC government.

Article 176 The establishment, registration, transfer, merger, and dissolution and rehabilitation of insurance enterprises shall, in addition to being carried out in accordance with the provisions of the Company Act, be further subject to detailed procedures set forth in the Regulations Governing the Administration of Insurance Enterprises.

Article 177. Regulations governing compliance matters concerning insurance solicitors (including the obtaining of qualifications, registration, voidance or revocation of registration, education, training, and disciplinary matters) shall be set forth by the competent authority.

Article 177-1. An person that complies with any of the subparagraphs below may collect, process or use personal information such as medical records, medical treatment or health examination of individuals, with the written consent of the principal party:

1. Insurance enterprises, insurance agents, brokers, and surveyors that operate or practice business in accordance with the Act.
2. Juristic persons commissioned by insurance enterprises to provide assistance in confirming or performing their obligations under an insurance contract.

3. Insurance related foundations established with the permission of the competent authority to handle disputes and matters relating to compensation for victims of motor vehicle accident s.

Regulations governing the manner of written consent mentioned in the preceding paragraph, scope of business mentioned in the first subparagraph of preceding paragraph and other matters of compliance shall be set forth by the competent authority.

Insurance enterprises may be exempted from the obligation to notify as provided in Paragraph 1, Article 9 of the Personal Information Protection Act when they process and use legally collected information on the name, date of birth, ID Card number and method of contact of beneficiaries of insurance contracts for the needs of underwriting or claims operations.

Personal information on medical records, medical treatment, and health examination already collected by persons mentioned in subparagraphs of the first paragraph hereof prior to the enforcement of this article amended on 14 June 2011 may continue to be processed and used within the extent necessary to serve the specific purposes of collection. Article 178

With the exceptions of the provisions amended and promulgated on 30 May 2006, which will enter into force on 1 July 2007, and Article 177-1 amended on 14 June 2011 that will enter into force on a date as determined by the Executive Yuan, this Act shall enter into force from the date of promulgation.

BUSINESS MERGERS AND ACQUISITIONS ACT
(企業併購法)

Amended Date 2004.05.05

CHAPTER I GENERAL PROVISIONS

Article 1. The Business Mergers and Acquisitions Law (the Law) is enacted to facilitate merger /consolidation and acquisition by a business for purposes of reorganization and optimal operation efficiency.

Article 2. Any merger /consolidation and acquisition by a company shall be done pursuant to this Law; if not so provided, the Company Law, the Securities and Exchange Law, the Statute for Upgrading Industries, the Fair Trading Law, the Labor Standard Law, the Statute For Investment By Foreign Nationals and other applicable laws and regulations shall govern.

Any merger /consolidation and acquisition by a financial institute shall be done pursuant to the Law Governing Merger of Financial Institutions and the Financial Holding Company Law; if not expressly provided in the said two Laws, this Law shall govern.

Article 3. The "Competent Authority" as used in this Law denotes the Ministry of Economic Affairs (MOEA).

If any provisions set forth in this Law involving the business of the authority in charge of the relevant end-enterprise; the Competent Authority of this Law shall process things and matters hereunder jointly with that relevant authority.

Article 4. Interpretation In this Law

1. Company means a company limited by shares incorporated under the Company Law.

2. Merger and acquisition include merger, consolidation, acquisition, and division of a company.

3. Consolidation and merger refer to an act wherein any and all companies involved pursuant to this Law or any other applicable law are dissolved, and a new company is incorporated (consolidation) to generally assume all rights and obligations of the dissolved companies; or by any company surviving the merger from all the companies involved (merger), with shares of the surviving or newly incorporated company or any other company, cash or other assets as the consideration.

4. Acquisition means any company acquiring shares, business or assets of other company in exchange for shares, cash or other assets under this Law, the Company Law, the Securities and Exchange Law, the Law Governing Merger of Financial Institutions or the Financial Holding Company Law.

5. Share exchange means, by the resolution of the general meeting, a company transferring all its issued shares to another company in exchange for the issue to its shareholders of shares in that company.

6. Division refers to an act wherein a company transfers all its independently operated business or any part of it under this Law or other applicable law to an existing or a newly incorporated company as the consideration for that existing company or newly incorporated company to issue new shares to that company or shareholders of that company.

7. "Parent and subsidiary company" means — any company, directly or indirectly holding the majority of the total number of the issued voting shares or the total amount of the capital stock of another company shall be the parent company, and the other company with its shares held by the parent company shall be the subsidiary company.

8. Foreign Company means a company, for the purpose of profit — making, organized and incorporated in accordance with the law of a foreign county.

Article 5. When a resolution of merger /consolidation or acquisition is passed, the Board of Directors shall, in the course of conducting the merger /consolidation or acquisition, in the best interest of the shareholders, fulfill its duty of care. Any director involved in decision-making for a merger/consolidation or acquisition shall be liable for any damage to the company as a result of breach of applicable laws, ordinances, Articles of Incorporation or the resolution of the general meeting in dealing with the merge/consolidation and acquisition provided, however, upon producing sufficient evidence of minutes or written statement concerning disagreement, the director may be exempted from the liability.

Article 6. Before any resolution of merger/consolidation and acquisition by the Board of Directors, a company that has its share certificates publicly issued shall seek opinions from an independent expert on the justification of share exchange ratio or distribution of cash or other assets to shareholders, then report the opinions to the Board of Directors and, if the resolution by the general meeting is required, to the general meeting.

In the case of division of company, the opinions from an independent expert referred to in the preceding Paragraph shall contain the information concerning the shares' price issued by the existing or newly incorporated recipient company succeeding the business or assets after division, and the reasonableness of valuing the transferred business and assets as well.

Article 7. If, as a result of merger/consolidation and acquisition, a company has become a company limited by shares held by the government or a single juristic person, the functional duties and power of the general meeting of that company shall be exercised by the Board of Directors and in

this case, provisions governing the general meeting as set out in the Company Law shall not apply.

The directors and supervisors of the company referred to in the preceding Paragraph shall be appointed by such government shareholder or juristic person shareholder.

Article 8. In case of any of the following events, the company may not be required to reserve new shares to be issued for subscription by its employees, to notify then existing shareholders for subscription, to appropriate a certain ratio for public offering, and not subject to Articles 267 (1) through 267(3) of the Company Law and Article 28-1 of the Securities and Exchange Law:

a. All new shares are issued for being acquired;

b. All new shares are issued for the acquisition of issued shares, business, or assets of other company;

c. Newshare are issued for share exchange

d. Newshares are issued for division of company by the succeeding company. Any new shares issued hereunder may be paid up in cash or assets required in the business of the company, and such issuance is exempted from Article 270 of the Company Law.

Article 9. Any reorganization plan proposed under Article 304 of the Company Law may expressly provide that the credits of the creditors on the company shall be applied to pay up calls required by new shares issued by the company acquired by the creditors, and this may be exercised after seeking the approval from the meeting of interested parties held under Article 305 of the Company Law and the ruling of approval by the court, without being subject to Articles 270, 272 and 296 of the Company Law.

Article 10. In the merger/consolidation and acquisition by a company, the shareholders may decide ways and related matters on joint exercise of voting rights by written agreement among themselves.

In the merger/consolidation and acquisition by a company, the shareholders may transfer their shares to a trust company or a financial institute operating trust business to put their voting rights in trust and the trustee shall exercise such voting rights as specified in a written trust deed.

To operate against the company by putting their voting rights in trust, the shareholders shall deliver to the company no later than five days prior to the meeting date of the general meeting the written trust agreement, list of the names, titles, residence (domicile) of shareholders, the total number, class and quantity of shares with their voting rights transferred in trust.

Article 11. In the merger/consolidation and acquisition by a company, the written agreement among shareholders, the company and shareholders, may reasonably regulate the following issues:

1. The company, other shareholder or a designated third party shall have the priority to purchase the shares transferred by the shareholder;

2. The company, shareholder or a designated third party may have the priority to subscribe for shares held by other shareholder;

3. The shareholder may request other shareholder to jointly transfer their shares;

4. Any transfer of shares or offering shares as a security in pledge to a given person by a shareholder shall seek the approval from the Board of Directors or the general meeting;

5. The transferee or pledgee of shares; and

6. Restraining shares from being transferred or offered as a security in pledge within a specific period of time.

The company not having its share certificates publicly issued may stipulate the aforesaid issues.

The so-called reasonable restrictions referred in Paragraph One shall comply with the following principles:

1.Such restrictions are prescribed for the compliance with the Securities and Exchange Law, the Tax Law or any other applicable laws and ordnances; and 2.Such restrictions are prescribed due to being a shareholder, or as required by business competition or operation development.

In issuing new shares due to merger/consolidation and acquisition by a company that has its share certificates publicly issued, and thus subject to restrictions of transfer or pledge of shares as provided in Paragraph One, such restriction shall be explicitly entered into the prospectus as specified in the securities and Exchange Law or in the document to be delivered to the investors as specified by the authority in charge of securities.

As provided in Article 163(1) and 163(2) of the Company Law, that transfer of shares shall not be prohibited or restricted by any provision in the Article of Incorporation and transfer of shares owned by promoters shall not be effected until the elapse of one year after the incorporation registration, are not applicable to Paragraphs One and Two hereof.

The sum of purchased quantity of shares by a company pursuant to items 1 and 2, Paragraph One and those redeemed and purchased quantity of shares under other laws and ordinances shall not be greater than twenty percent of the total shares issued by that company and the total amount of redemption and bought back shall not be greater than the sum of retained earnings plus realized capital surplus.

Article 12. If any of the following events occurs in the course of merger/consolidation and acquisitions by a company, the shareholder may request the company to buy back his shares held at then prevailing fair price:

1.If a company attempts to amend its Articles of Incorporation to prescribe restrictions on transfer or pledge of shares, the shareholder has

expressed his objection, in writing or verbally with a record before or during the meeting and waived his voting right;

2.In case of any merger/consolidation proceeded under Article 18 of this Law by a company, the shareholder of the surviving or dissolved company has expressed his objection, in writing or verbally with a record before or during the meeting and waived his voting right provided, however, that in the merger/consolidation proceeded under Article 18(6) of this Law, only the shareholder of the dissolved company may express such dissension;

3.In case of any summary merger/consolidation proceeded under Article 19 by a company; the shareholder of the subsidiary company has expressed his objection in writing within a term specified in the notice and publication given under Article 19(2) of this Law by the Board of Direction of the subsidiary company;

4.In case of an acquisition proceeded under Article 27 of this Law by a company; the shareholder has expressed his objection, in writing or verbally with a record before or during the meeting and waived his voting right;

5.In case of share exchange proceeded under Article 29 by a company, the shareholder of the transferor and the existing transferee company has expressed his objection, in writing or verbally with a record before or during the meeting and waived his voting right; or

6.In case of a division proceeded under Article 33 by a company, the shareholder of the company being divided or of the existing recipient company has expressed his objection, in writing or verbally with a record before or during the meeting and waived his voting right.

Articles 187 and 188 of the Company Law shall apply mutatis mutandis provided, however, that for any summary merger/consolidation proceeded under Article 19, the date as resolved by the Board of Directors shall be the reference date for any transaction.

Article 13. A company purchasing shares under Article 12 shall proceed as follows: 1.Any shares purchased from shareholders of the dissolved company shall be surrendered together with other shares issued by that dissolved company to file an application for registration of cancellation; 2.Shares purchased other than the preceding item shall be:

a. transferred to shareholders of the dissolved company or any other company according to merger/consolidation agreement, share exchange agreement, division plan or any other contract;

b. made an alteration of the entries of the corporate registration;

c. sold at fair market price within three years from the date of redemption or bought back. If the shares so redeemed or bought back remain unsold after expiry of the foregoing time limit, such shares shall be deemed as the shares which have never been issued by the company; and under such

circumstance, the company shall apply for an alteration of the entries of the then existing corporate registration in respect of such shares accordingly.

No shares redeemed or bought back under this Law shall be produced as pledge and shall not be entitled with shareholder right before such shares having been sold or cancelled.

Article 14. In case the Board of Directors is unable to exercise its power and authority during merger/consolidation, a temporary manager may be elected upon a resolution adopted by a majority of the shareholders present at the general meeting, who represent two-thirds or more of the total number of the issued shares. The scope and term of power and authority to be exercised by the temporary manager shall also be specified for the temporary manager to exercise the power and authority of the Chairman of the Board and the Board of Directors in the event that the Board of Directors is unable to exercise its power and authority.

For a company whose share certificates have been publicly issued, if the total number of shares represented by shareholders at the general meeting is short of the quorum, the temporary manager may be elected by two-thirds of the votes of the shareholders present at the general meeting who present a majority of the total number of issued shares.

An application for registration shall be filed within fifteen days after temporary manager is on board; the removal of temporary manager, together with new directors and supervisors, shall be filed within fifteen days after the election of directors and supervisors taking place.

Article 15. In the course of a merger/consolidation by a company, any sum of the pension reserves appropriated by the dissolved company surviving from pension and, if the dissolved company decides as such, severance pay made to labor separated and any labor declined the continued employment shall be transferred from the designated account of labor pension reserves monitor commission of the company to that of the newly incorporated or surviving company.

In the transfer of the entire business or any part of it by a company as a result of acquisition of assets or division, the transferor company or the divided company upon having made the labor separated and any labor declined the continued employment the pension and the severance pay (if the company decides as such), shall transfer the pension reserves appropriated for the labors stay with the company and to be transferred together with the business or the assets in pro rata to the designated account of labor pension reserves monitor commission of the transferee company.

The dissolved company, the transferor company or the divided company as described in the preceding two Paragraphs shall be liable for making the pension and severance pay to the labor separated and any labor declined the continued employment, and the labor pension reserves to be appropriated as

required by the law shall reach the amount specified as the minimum in filing the application for a suspend appropriation by the applicable labor laws and ordinances before transferring all the remaining labor pension reserves or in pro rata to the labor pension reserves monitor commission of the survived company or the transferee company.

Article 16. Any surviving company, newly incorporated company or transferee company shall no later than thirty days before the reference date of the merge serve a written notice expressly describing labor conditions to any and all labor stay after the merge according to the negotiation between the existing and the new employers. Any labor within ten days upon receiving the notice shall notify his decision of whether to accept the conditions in writing to the new employer. The absence of such notice from the labor shall be deemed as a consent to stay with the company after the merger/consolidation.

Any labor having accepted the continued employment later refuses to stay with the company for personal reasons whatsoever is prevented from requesting any severance pay from the employer.

The service years of the labor accepting the continued employment achieved at the dissolved company, transferor company or divided company before the merger/consolidation shall be recognized by the survived company, newly incorporated company or the transferee company after the merger/consolidation.

Article 17. In case of a merger/consolidation by a company, the pre merger/consolidation employer company shall terminate the labor contract. Any labor separated and declined the continued employment shall be entitled with a prior notice of termination of employment or paid a wage payable during that prior notice in accordance with Article 16 of the Labor Standard Law and be duly paid the labor pension or severance pay as the same Law prescribes.

CHAPTER II MERGER, ACQUISITION AND DIVISION

Section One Merger/Consolidation

Article 18. Unless otherwise provided in this Law, a resolution for merger/consolidation or dissolution of a company shall be adopted by a majority vote at the general meeting attended by shareholder representing two-thirds or more of the total number of the issued shares of the company.

For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum, the resolution may be adopted by two-thirds of the votes of the shareholders present at the general meeting who present a majority of the total number of issued shares.

Where a higher criteria for the total number of shares represented by the shareholders present at the general meeting and the total number of votes required to adopt a resolution thereat are specified in the Articles of Incorporation, such higher criteria shall prevail.

In case of any special shares are issued by the company, the merger/consolidation shall be separately resolved by the holders of those special shares with the exception of that a resolution by the general meeting is not required as provided by this Law or a resolution by the meeting of special shareholders is not required as expressly provided in the Articles of Incorporation. All the provisions set forth in the preceding three Paragraphs shall apply mutatis mutandis to the resolution of the meeting of special shareholders.

Any company holding the shares of other company participating in the merger/consolidation, or the company or its assigned representative is elected as a director to other company participating in the merger/consolidation, then the company or its assigned representative may exercise voting right in the resolution of the merger/consolidation by such other company.

Actions by the shareholders of the surviving company as prescribed by the preceding four Paragraphs on a plan of merger/consolidation is not required if the number of shares issued as a result of the merger/consolidation will not exceed by more than twenty percent of the total number of issued voting shares of the surviving company immediately before the merger/consolidation, and the total amount of cash or the total value of the assets delivered to the shareholders of the dissolved company will not exceed by more than two percent of the net value of the surviving company provided, however, that the assets of the dissolved company may not be insufficient to offset its liabilities. Under such circumstance, a resolution for merger/consolidation shall be adopted by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds of the directors of the surviving company.

Article 19. Where ninety percent or more of the total number of the issued shares of a subsidiary company is held by its parent company, the parent company may merge/consolidate with the said subsidiary company upon a resolution to be adopted separately at the board meeting of both the parent and subsidiary company by a majority vote of the directors present at the meeting attended by directors representing two-thirds of the directors of the respective companies.

After adoption of the resolution by the board of directors of subsidiary company under the preceding Paragraph, the details of the resolution and entries required to appear in the merger agreement shall be published with ten days. A notice shall be served to each of its shareholders and shall state

that any shareholder who has an objection against that resolution, may submit a written objection requesting the subsidiary company to buy back, at the then prevailing price, the shares of the subsidiary company he holds.

The given time referred in the preceding Paragraph shall not be shorter than thirty days.

Where ninety percent or more of the total capital of a subsidiary company is held by its parent company, all the provisions set forth in the preceding three Paragraphs shall apply mutatis mutandis when the parent company merges with the said subsidiary company.

Article 20. In the case of merger/consolidation between two independent companies limited by shares or between a company limited by shares and a limited company, the surviving or the newly incorporate company under the merger/consolidation project shall be limited to a company organized in the form of a company limited by shares.

Article 21. The following requirements shall be fulfilled in case of any merger/ consolidation of a domestic company with a foreign company:

(1) The said foreign company, pursuant to the law of incorporation, shall be a company limited by shares or a limited company and is duly allowed to be merged/consolidated with other company;

(2) The merger/consolidation agreement has been duly resolved by the general meeting, the Board of Directors of that company or otherwise, pursuant to law of incorporation; and

(3) The surviving company or newly incorporated company after the merger/consolidation shall exist only in the form of a company limited by shares. The foreign company shall designate before the reference date of the merger/consolidation a representative for any service made within the territory of the Republic of China.

Article 22. The merger/consolidation plan shall be made in writing and certain the following particulars:

1. The name and capital of the merged/consolidated company and, after the merger/consolidation, the name and capital of the surviving or newly incorporated company.

2. Where shares are to be issued by the surviving company, the newly incorporated company, or other company as a result of merger/consolidation, the total number of shares, classes of shares and amount of each class, or the amount of cash and other assets.

3. Where shares are to be issued to shareholders of the dissolved company by the surviving company, the newly incorporated company, or other company as a result of merger/consolidation, the total number of shares, classes of shares and amount of each class, the amount of cash and other assets, method of distribution, together with other relevant matters.

4. Any things and matters related to the shares duly redeemed or purchased by the surviving company for the distribution to the shareholders of the dissolved company.

5. Any change to the Articles of Incorporation of the surviving company or Articles of Incorporation to be executed by the newly incorporated company according to Article 129 of the Company Law; and

6. Criteria and conditions for the computation of share exchange ratio by the listed (OTC) company.

The preceding Paragraph is also applicable, mutatis mutandis, to the merger/consolidation with a foreign company.

Article 23. Upon the merger/consolidation is resolved, a company shall immediately publish and notify each creditors of such merger/consolidation and specify a period of not less than thirty days to allow objection filed by the creditor.

A company that has not given notice or made public announcement in the manner referred to in the preceding Paragraph, or fails to satisfy a creditor who has raised an objection to the merger/consolidation or to furnish an appropriate security, to create any trust exclusively for creditors' satisfaction, to certify that such merger/consolidation is without prejudice to the rights of creditors, shall not asset the merger/consolidation as a defense against such creditor in action. The requirements specified in the first Paragraph hereof shall be applicable to the creditors of the dissolved company in the merger/consolidation provided in Article 18(6) of this Law; as regards notice and publication, the reference date is the date of the resolution by the general meeting.

The requirements specified in the first Paragraph hereof shall be applicable to the creditors of the subsidiary company in the merger/consolidation provided in Article 19 of this Law; as regards notice and publication, the reference date is the date of the resolution by the Board of Directors.

Article 24. All rights and obligations of any company dissolved due to merger/ consolidation shall be generally assumed by the surviving company or the newly incorporated company after the merger/consolidation; the status as a concerned party of the dissolved company in any on-going litigation, non-litigation, business arbitration and any other proceedings shall be taken over by the surviving company or the newly incorporated company.

Article 25. The transfer of all rights and obligations pertaining to any properties acquired from the dissolved company by the surviving company or the newly incorporated company shall become operative on and after the reference date specified for the merger/consolidation provided, however, that any acquisition, hypothecation, loss or change of any right under other applicable laws shall be registered before its disposition is permitted.

The following documents are required to be forthwith registered with the appropriate authorities by lot by the surviving company or the newly incorporated company in carrying out the alteration or merger/consolidation registration for the rights pertaining to the assets described in the preceding Paragraph without being subject to the restriction that any registration for alteration of rights shall be jointly completed by the obligor and obligee as provided in Article 73(1) of the Land Law, Article 7 of the Transaction Law of Secured Moveable Properties and any other applicable laws and ordinances:

(4) Minutes evidencing the resolution of merger/consolidation by the general meeting or the Board of Directors.

(5) Certificate of the registration for the merger/consolidation.

(6) A list of registered assets of the dissolved company before the merger/consolidation and the list of assets in the registration for modification completed by the surviving company or the newly incorporated company.

(7) Any other documents specified by the registration authorities.

Unless a longer period is otherwise provided by other applicable laws and ordinances, the registration specified herein shall be completed within six months upon the reference date of merger/consolidation without being subject to the completion of registration for alteration of land rights within one month as provided in the first paragraph of Article 73(2) of the Land Law.

Article 26. The surviving company shall report the merger/consolidation in the first general meeting held after the merger/consolidation.

Section Two Acquisition

Article 27. The notice of credit transfer in the acquisition of business or assets by a company under general assumption or transfer, or under Articles 185(1)(ii) or 185(1)(iii) may be made in the form of publication in lieu and the recognition from the creditors is not required in any undertaking of liabilities without being subject to Articles 297 and 301 of the Civil Code. The foregoing transactions require resolutions adopted by a majority vote at the general meeting attended by shareholder representing two-thirds or more of the total number of the issued shares of the company. For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum, the resolution may be adopted by two-thirds of the votes of the shareholders present at the general meeting who present a majority of the total number of issued shares.

Article 25 of this Law are applicable mutatis mutandis to the registration for transfer and alteration of rights and obligations pertaining to the assets acquired by the transferee company.

The preceding three Paragraphs and Article 21 shall apply mutatis mutandis to the transfer or assumption of business or assets under Article 185 (1) (ii) and (iii) of the Company Law and acquisition made in the form of general assumption by the company and a foreign company.

Article 28. Upon complying with the following requirements, the acquisition of the entire or substantial portion of the business or assets from a parent company by a subsidiary company may be made as resolved by the Board of Directors of the parent company. Action by the shareholders of the transferor and transferee company as provided in Articles 185(1) through 185(4) is not required and the requirements set forth in Articles 186 through Article 188 of the Company Law are exempted: 1.The said subsidiary company is entirely held by the parent company;

(1) The subsidiary company shall issue new shares to the parent company in exchange for the business or assets of the later.

(2) The said parent company and its subsidiary company have prepared the consolidated financial statements according to the Generally Accepted Accounting Principles.

The preceding Paragraph and Article 21 of this Law shall apply mutatis mutandis to any transfer by a parent company of its entire or substantial portion of business or assets to its 100% held subsidiary company incorporated offshore, or the transfer by a foreign company of its entire or substantial portion of business or assets to its 100% held subsidiary company incorporated within the territory of the Republic of China.

Article 29. If as resolved by the general meeting, a company may by means of share exchange to be acquired by any other existing or newly incorporation company as a 100% held subsidiary company pursuant to the following requirements:

1. The said resolution by the general meeting shall be adopted by a majority votes at the meeting attended by shareholders representing two-thirds or more of the total number of the issued shares; the same governs where the designated transferee company is an existing company; and

2. Requirements set forth in Articles 156(2), 197(1), 227, 278(2) of the Company Law and Articles 22-2 and 26 of the Securities and Exchange Law are not applicable to the share exchange described herein.

For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum, the resolution may be adopted by two-thirds of the shareholders present at the general meeting who present a majority of the total number of issued shares. Where a higher criteria is specified in the Article of Incorporation, such higher criteria shall prevail.

If the transferee company is a newly incorporate company, the general meeting held under the item 1, Paragraph One shall be deemed as the

meeting of promoters of the transferee company; directors and supervisors may be elected in that same meeting without being subject to Articles 128 through 139, 141, 155 and 163(2) of the Company Law. In the course of share exchange by and between a company and another company pursuant to Article 29 of this Law, if the designated transferee company is an existing company, a share exchange contract shall be entered by Boards of Directors from both of the transferor and the transferee companies; if the designated transferee company is a newly incorporated company, a share exchange resolution shall be adopted by the Board of Directors of the transferor company. The aforesaid contract and resolution shall be presented at the general meetings of the company concerned. The share exchange contract and resolution as described in the preceding Paragraph shall contain the following particulars and shall be delivered to each shareholder together with the meeting notice:

1. Any alteration made to the Articles of Incorporation of the existing company or execution of the Articles of Incorporation of the newly incorporated company;

2. Where new shares issued by the existing or newly incorporated company, the total number of new shares, classes of shares, and amount of each class, together with other relevant matters;

3. Where shares are transferred by the shareholders of the company to the existing or newly incorporated company, the total number of shares, classes of shares, and amount of each class, together with other relevant matters;

4. The relevant provisions applicable if the amount of shares to be issued to the shareholders is less than the value of one share and payable in cash;

5. The share exchange contract shall enter whether any remaining office term of director or supervisor at the time of exchange should be continued; and the share exchange resolution shall enter a list of directors and supervisors of the newly incorporated company; and

6. In case of a joint share exchange with another company for the newly incorporated company, the share exchange resolution shall enter matters of concerns in such joint share exchange. The preceding two Paragraphs, Articles 29 and 21 shall apply mutatis mutandis to the share exchange between the company and a foreign company. Any undistributed retained earnings after the share exchange by a company with another company pursuant to Article 29, though entered as the capital surplus of another company, such distribution is immune from restrictions provided in Article 241(1) of the Company Law.

Special shares already issued before the share exchange by a company, the transferee company shall assume the rights and obligations regarding

these shares towards their holders, and in the fiscal year of conversion may distribute dividends after auditing by the supervisors according to the statements and reports produced by the Board of Directors, and such distribution is immune from restrictions provided in Article 228 through 231 of the Company Law.

If a company is newly incorporated as a result of share exchange by the company and another company pursuant to the preceding Article, he portion of the capital quota for the share exchange of the newly incorporate company may not be applicable to Article 2(1)(i) of the Employees Warfare Payment Statute.

Article 31. Where a listed (OTC) company enters into a share exchange plan with another company or a newly incorporated company, the shares then traded on the stock exchange (OTC) shall be terminated upon the completion of the exchange and required procedure of the stock exchange market (OTC), and taken over by another company in compliance with requirements set forth for a listed (OTC) company.

Section 3 Division

Article 32. In carrying on a division by a company, the Board of Directors shall draft a division plan and submit it to the general meeting.

A resolution for division shall be adopted by a majority vote at the general meeting attended by shareholders representing two-thirds or more of the total number of the issued shares of the company.

For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum, the resolution may be adopted by two-thirds or more of the votes of the shareholders present at the general meeting who present a majority of the total number of issued shares.

In the preceding two Paragraphs where a higher criteria for the total number of shares represented by the shareholders present at the general meeting and the total number of votes required to adopt a resolution thereat are specified in the Articles of Incorporation, such higher criteria shall prevail.

Upon the division is resolved, a company shall immediately publish and notify each creditors of such division and specify a period of not less than thirty days to allow objection filed by the creditor. A company that has not given notice or made public announcement, or fails to satisfy a creditor who has raised an objection to the division, to furnish an appropriate security, to create any trust exclusively for creditors' satisfaction, to certify that such division is without prejudice to the rights of creditors, shall not assert the division as a defense against such creditor in action. The existing or newly incorporated recipient company, unless the liabilities existing before the

division may be severed, shall within the scope of contributions made by the recipient company assume the joint and several responsibility of discharging the liability incurred by the divided company prior to the division. However, the creditors' right to claim for the performance of the joint and several liability shall become extinguished, if not exercised by the creditors within two years from the reference date of division.

If the recipient company is a newly incorporated company, the general meeting of the company divided shall be deemed as the meeting of promoters of the recipient company; it may draw up the Articles of Incorporation and elect directors and supervisors of the newly incorporated company in the same meeting without being subject to Articles 128 through 139, 141 through 155 and 163(2) of the Company Law.

Article 24 of the Company Law shall apply mutatis mutandis to any company dissolved as a result of division.

Where a listed (OTC) company is divided, the existing or the newly incorporated recipient company after the division found compliant with requirements of division and the relevant listing (OTC) rules may continue or start to offer its shares on the stock exchange (OTC) upon completing the procedures specified for such division and procedures of the stock exchange (OTC), while the listed (OTC) company before the division may continue to remain as such.

In case of a division by a company limited by shares, the surviving company or the newly incorporated company shall be only in the form of a company limited by shares. Article 33

The division plan specified in Article 32 of this Law shall be made in writing with the following particulars:

1. Any alteration made to the Articles of Incorporation of the existing recipient company or execution of the Articles of Incorporation of the newly incorporated company;
2. Business value, assets, liabilities, shares exchange ratio and computation criteria of the business transferred by the company divided to the existing or the newly recipient incorporated company;
3. The total number of shares, classes of shares, and amount of each class issued by the existing company or the newly incorporated recipient company accepting the business from the company divided;
4. The total number of shares, classes of shares, and amount of each class acquired by the divided company or its shareholders, or both;
5. The relevant provisions applicable if the amount of share to be issued to the divided company or its shareholders is less than the value of one share and payable in cash;

6. Rightsand obligations of the divided company assumed by the existing or newly incorporated recipient company, together with other matters;

7. In case of reduced capital of the company divided, any things and matters related to such reduced capital;

8. The matters which shall be settled in the cancellation of the shares of the divided company;

9. If another company joins the division with the company, the resolution of the division shall contain matters related to the joint division; and The division plan shall be delivered together with the notice of the general meeting for the resolution of division to each shareholder.

In case that a division is made with a foreign company, Article 32, 33(1), 33(2) and 21 of this Law shall mutatis mutandis apply.

CHAPTER III TAX PAYABLE TO GOVERNMENT

In the acquisition of assets or shares by a company pursuant to Articles 27 through 29 of this Law with the shares entitled with voting rights as the consideration to pay the company so merged/consolidated and acquired and such shares is at a value not less than sixty-five percent of the total consideration, or a company is carrying on merger/consolidation and/or division, the following shall apply:

1. Any and all deeds and certificates so created are exempted from stamp tax;

2. The title-ship of acquired immovable property is exempted from deed tax;

3. Transferred securities are exempted from securities exchange tax;

4. Any commodities or labor service transferred is deemed as not falling with the scope of imposition of business tax; and

5. Any land owned by the company when confirmed with its current value after the transfer declared shall be immediately completed with the transfer registration of the title-ship. The land value increment tax duly born by the existing land title holder may be registered under the name of the company acquiring the land after the merger/consolidation and acquisition; and in case of any further transfer of that land, the land value increment tax registered shall be paid on a priority basis over any and all liabilities and mortgage from the proceedings of the disposition of such land. Upon having registered the land value increment tax under the item 5 of the preceding Paragraph, shares as the consideration are transferred, as a result of this, the shares it holds becomes lower than sixty-five percent of the consideration within three years upon completing the registration of the land transferred, the acquired company shall make later payment of the land value increment tax registered; and any shortage of the later payment shall be made good by the acquisition company.

Article 35. The good will created as a result of merger/consolidation and acquisition by a company may be equally amortized within fifteen years.

Article 36. The expenses incurred from the merger/consolidation and acquisition of a company may be equally amortized within ten years. In case of a merger/consolidation, division or acquisition provided in Articles 27 and 28 of this Law by a company, the surviving company or the newly incorporated company after the merger/consolidation, the existing company or the newly incorporated company after the division or the company of acquisition may respectively continue to assume any tax incentives entitled to the dissolved company, the company divided or the company acquired that is not yet deducted or not expired for the assets or business already acquired before that current acquisition provided, however, that any

company qualified for the incentive of exemption of business income tax shall continue to produce the product or labor service enjoying the incentives by the dissolved company, the company divided or the acquired company before the merger/consolidation and acquisition; and such incentives shall be limited to the income accounted for product independently manufactured or the labor service provided and otherwise enjoyed by the dissolved company, the company divided or the company acquired as of the surviving company or the newly incorporated company after the merger/consolidation, or the existing company or the newly incorporated company after the division or the acquisition company. In case of being qualified for the incentives of investment offset, such shall be limited to the tax payable accounted for the part of the dissolved company, the company divided or the company acquired as of the surviving company or the newly incorporated company after the merger/consolidation, or the existing company or the newly incorporated company after the division or the acquisition company. If any tax incentives continued to be enjoyed by the company pursuant to the requirements set forth in the preceding Paragraph is required to comply with the conditions and standards as specified in applicable laws and ordinances, the company shall meet the same incentive conditions and standards after the assumption of the tax incentives.

To facilitate readjustment of the structure of the industry, a company with surplus is encouraged to merge/consolidate and acquire any other company in loss to repay the debts due to banks transferred at the time the merger/consolidation and acquisition take place, the Executive Yuan may prescribe a procedure to exempt the business income tax for the income created from the assets or business so merged/ consolidated and acquired within a given period of time.

The preceding Paragraph may be applicable, mutatis mutandis, to the merger/consolidation between two companies in loss.

The Executive Yuan shall specify the given period of time, applicable conditions and procedure for the exemption of business income tax as described in the preceding third and fourth Paragraphs.

Article 38. If provided with sound and complete accounting books and records, the loss and the year for the declaration of deduction as a result of merger/consolidation by a company entitled to use the blue declaration form as referred in Article 77 of the Income Tax Law or if provided with a CPA certified report and the income tax has been declared and paid up within the given time, the surviving company or the newly incorporated company after the merger/ consolidation in declaring the final income tax of profit business may deduct from the net profit of the current year within five years upon the year the loss takes place the loss within the preceding five years authorized by the appropriate tax collection authorities before the merger/consolidation

for deduction to each company participating in the merger/consolidation in pro rata of the equities of the surviving company or the newly incorporated company held by each corporate shareholder due to the merger/consolidation.

In case of a merger/consolidation by a domestic company with a foreign company, the surviving company or the newly incorporated company or the subsidiary company incorporated by the foreign company within the territory of the Republic of China may deduct any loss not yet deducted before the merger/consolidation by each company participating in the merger/consolidation or by the subsidiary company incorporated by the foreign company within the territory of the Republic of China. Upon the division of the company, the existing company or the newly incorporated company may as specified in the first Paragraph deduct from the net profit of the loss pending deduction before the division by each company participating in the division at the amount calculated pro rata according to the division of equity. Upon calculating of the deductible loss by the existing company, the ratio of equity of the existing company held after the division by the shareholders of each company participating in the division shall be further accounted for the calculation.

Article 39. If the shares with voting rights acquired by a company as a result of transfer of its entire or substantial portion of business or assets to another company is not less than eighty percent of the consideration of the entire transaction, and all the shares so acquired have been transferred to the shareholders, then any proceedings generated from the transfer of the business or assets is exempted from business income tax; and any loss incurred is prevented from deduction from the income.

The substantial portion of business as described in the preceding Paragraph refers to the income of the latest three years of the transferor business is at an amount not less than fifty percent of the total operation income for each respective fiscal year; and the substantial portion of assets, to the assets to be transferred has a value not less than fifty percent of the total assets at the time the transfer takes place.

Any income created as a result of the transfer of all shares acquired by the company to its shareholders due to division is exempted from business income tax; and any loss incurred is prevented from deduction from the income.

Article 40. If as a result of carrying on the merger/consolidation, division or the acquisition as provided in Articles 27 through 29 of this Law, the shares or contributed capital of the subsidiary company held by the company reaches ninety percent or more of the total number of issued shares or subscribed capital, the company may be elected as the tax payer since the fiscal year having survived twelve months of a given taxable year during the

term of such holding to declare a combined final business income tax as provided in the Income Tax Law, and declare the undistributed earnings with an additional ten percent of business income tax; any other tax related matters shall be carried out separately by the company and its subsidiary company. Companies electing to file a combined final business income tax return according to the preceding Paragraph shall bring into all qualified domestic subsidiary companies. It is not required to secure a prior admission before such combination choice is made; however, once the choice of combination is made, unless there is due cause and approved by the Competent Tax Authority two months before the end of the fiscal year, no change is permitted.

Within five years after the shift is permitted under the preceding Paragraph, company is not allowed to opt for combination filing. When the holding of shares or subscribed capital drops below the standard prescribed in the first Paragraph, the subsidiary company shall file a separate business income tax return and since then, the subsidiary company is not permitted to be brought into the combined business income tax return in five consecutive year.

Companies file combined business income tax return according to the first Paragraph, the calculation of the combined business income and the tax payable, of the undistributed earnings under the combination and the additional tax, the deduction of the business loss, the application of investment encouragement deduction, the deduction of foreign tax payment, the arrangement of shareholders' deductible tax account, the filing of temporary payment and other rules are prescribed by the Competent Tax Authority.

Article 41. If a domestic company is carrying on a merger/consolidation, division or the acquisition of assets or shares under Articles 27, 28 and 30(3) of this Law with a foreign company; Articles 34 through 40 of this Law shall apply to the domestic company; and Articles 34 and 38, to that foreign company.

Article 42. Between a company and its subsidiary company, between a company or its subsidiary company and any domestic or foreign individual, profit-making business or education, culture, public interest, charities or organization, if there is one of the following situations, the tax collection authorities may seek the approval from the Competent Tax Authority to readjust such tax obligations either according to the arm's length transaction or depending on the results of investigation in order for an accurate computation of the income tax and tax payable of the tax payer: 1.Any arrangement not made in arm's length transaction, avoidance or reduction of tax obligation on the amortized income, expenses, expenditures and profit/loss;

2.Any improper avoidance or reduction of tax obligation for oneself or for any other person by means of the acquisition of equity, transfer of assets or any other fraudulent arrangement.

Any company or its subsidiary company when subject to a recompilation of the amount of income and the taxable amount by the tax collection authorities pursuant to the preceding Paragraph hereof is prevented from filing a combined business income tax as provided in Article 41.

Article 43. Any loss from transaction of a company applied its business or assets in subscribing or exchange for the shares from another company and the value of such acquired shares is lower than the book value of the business or assets may be amortized within of fifteen years.

CHAPTER IV FINANCIAL FACILITIES

Article 44. To encourage merger/consolidation, acquisition and/or division among the enterprises, compliance with any of the following events may be applicable to Article 21 of the Statute for Upgrading Industrie:

1. A sound operation plan is produced for the improvement of the structure of the industry and a merger/consolidation, acquisition and/or division, the development funds owned by the Executive Yuan may be invested in the surviving company or in the newly incorporated company created after such merger/consolidation, acquisition and/or division;

2. For any domestic company with its productivity not fitting operating efficiency and a division and an overseas relocation are required for the production facilities in adapting to the improvement of the structure of the industry, and a plan for backflow of capital funds has been produced, any insufficiency in the capital funds for the existing or the newly incorporated corporation at home after the division may apply for project financing at lower interest rate by the development funds owned by the Executive Yuan.

The project financing to be offered by the development funds owned by the Executive Yuan as specified in the preceding Paragraph may be provided jointly with any financial institute.

Article 45. If the result of merger/consolidation, acquisition and/or division by a company breaches the credit authorization quota permitted by the law to an interested party, the same principal, the same interested party or the same affiliated enterprises, the financial institute may stick to the credit authorization agreement until the expiry of the term of credit authorization.

Article 46. For any shares acquired from the existing company by transferring a certain part of business or assets by a company due to merger/consolidation, acquisition and/or division, the financial institute may

replace then existing collateral for the original business or assets with shares acquired.

CHAPTER V REORGANIZATION

Article 47. The plan of reorganization may contain the proposal for merger/consolidation and acquisition.

If the reorganization of a company is done through merger/ consolidation and acquisition, supporting documents shall be produced and deemed as an integral part of the plan of reorganization, without subject to the requirement of resolution adopted by the general meeting or the Board of Directors as provided in Articles 18, 19, 29 and 32 of this Law.

Article 48. If merger/consolidation and acquisition are made in the course of reorganization by a company, any shareholder from that company is not invested with the right to request the company to buy back his shares and Article 12 of this Law is not applicable.

CHAPTER VI SUPPLEMENTAL PROVISIONS

Article 49. Any company applicable to requirements of tax payable to government as provided in Chapter III of this Law shall produce those documents required by the tax regulating authorities; failure of or insufficiency in the documents shall be notified for a later submittal by the tax collection authorities; the further failure of the later submittal without justified cause will prevent the applicability of those provisions.

Article 50. This Law shall become effective on the date of promulgation.

SECURITIES AND EXCHANGE ACT

(證券交易法)

Amended Date 2013.06.05

Category Financial Supervisory Commission (金融监督管理委員會)

CHAPTER I GENERAL PRINCIPLES

Article 1. This Act is enacted for the purpose of promoting the national economic development and the protection of investors.

Article 2. 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.

Article 3. The term "Competent Authority" as used in this Act means the Financial Supervisory Commission, Executive Yuan.

Article 4. The term "company" as used in this Act means a company limited by shares organized under the Company Act.

The term "foreign company" as used in this Act means a company, for the purpose of profit making, organized and incorporated in accordance with the laws of a foreign country.

Article 5. The term "issuer" as used in this Act means either a company which publicly offers and issues securities, or promoters who publicly offer securities.

Article 6. The term "securities" as used in this Act shall mean government bonds, corporate stocks, corporate bonds, and other securities approved by the Competent Authority. Any stock warrant certificate, certificate of entitlement to new shares, and certificate of payment or document of title to any of the securities referred to in the preceding paragraph shall be deemed as securities.

Any securities referred to in the preceding two paragraphs, even without the physical certificate representing title being printed, shall still be deemed as securities.

Article 7. The term "public offer" as used in this Act means the act of offering securities to the general public by the promoters prior to the incorporation of the company, or by the issuing company prior to the issuance of said securities.

The term "private placement" as used in this Act means the act of offering securities to specific persons pursuant to paragraphs 1 and 2 of Article 43-6 by a public company.

Article 8. The term "issuance" as used in this Act means the act of producing and physical delivery or book-entry transfer of securities by an issuer following its public offer. Securities delivered by book-entry transfer

referred to in the preceding paragraph may be issued without printing physical securities.

Article 9 (Deleted).

Article 10. The term "underwriting" as used in this Act means the act of underwriting securities issued by an issuer on a firm commitment or a best efforts basis in accordance with the agreement between the parties.

Article 11. The term "stock exchange" as used in this Act means a juristic person which in accordance with the provisions of this Act establishes premises and facilities for the purpose of providing a centralized securities exchange market.

Article 12. The term "centralized securities exchange market" as used in this Act means a marketplace maintained by a stock exchange for the purchase and sale of securities through a competitive bidding process.

Article 13. The term "prospectus" as used in this Act means an explanatory written statement that an issuer provides to the general public in compliance with this Act for the purpose of offering or selling securities.

Article 14. The term "financial reports" as used in this Act means the financial reports prepared by issuers, securities firms, and stock exchanges that are to be filed periodically with the Competent Authority in compliance with Acts and regulations. Regulations governing the preparation of financial reports with respect to the content, scope, procedures, preparation, and other matters to be complied with for the financial reports referred to in the preceding paragraph shall be prescribed by the Competent Authority, and Chapters IV, VI, and VII of the Business Entity Accounting Act shall not apply to those financial reports.

The financial reports referred to in paragraph 1 shall be signed or stamped with the seal of the chairperson, managerial officers, and accounting officers, who shall also produce a declaration that the report contains no misrepresentations or nondisclosures. The accounting officers referred to in the preceding paragraph shall possess certain qualifications and shall receive continuing professional education while holding the position. Regulations governing the qualifications of an accounting officer, the minimum hours of continuing education required, and the qualifications required of the institution offering the continuing education curriculum shall be prescribed by the Competent Authority.

Article 14-1. Public companies, securities exchanges, securities firms, and enterprises set forth in Article 18 shall establish financial and operational internal control systems. The Competent Authority may prescribe rules governing internal control systems of companies or enterprises under the preceding paragraph.

A company or enterprise under paragraph 1 shall file an Internal Control System Statement with the Competent Authority within three months of the

close of each fiscal year, unless approval otherwise has been granted by the Competent Authority.

Article 14-2. A company that has issued stock in accordance with this Act may appoint independent directors in accordance with its articles of incorporation. The Competent Authority, however, shall as necessary in view of the company's scale, shareholder structure, type of operations, and other essential factors, require it to appoint independent directors, not less than two in number and not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the Competent Authority.

Given any of the following circumstances, a person may not act as an independent director, or if already acting in such capacity, shall be dismissed:

1. Any circumstance set out in a subparagraph of Article 30 of the Company Act.
2. The director is a government agency, juristic person, or representative thereof, and was elected in accordance with Article 27 of the Company Act.
3. The person fails to meet the qualifications for independent director set forth in the preceding paragraph.

Transfer of an independent director's shareholdings is not subject to the provisions of the latter part of paragraph 1 or of paragraph 3, Article 197, of the Company Act.

When an independent director is dismissed for any reason, resulting in a number of directors lower than that required under paragraph 1 or the company's articles of incorporation, a by-election for independent director shall be held at the next following shareholders meeting. When all independent directors have been dismissed, the company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the situation arose.

Article 14-3. When a company has selected independent directors as set forth in paragraph 1 of the preceding article, then the following matters shall be submitted to the board of directors for approval by resolution unless approval has been obtained from the Competent Authority; when an independent director has a dissenting opinion or qualified opinion, it shall be

noted in the minutes of the directors meeting: [Adoption or amendment of an internal control system pursuant to Article 14-1.

a. Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.

b. A matter bearing on the personal interest of a director.

c. A material asset or derivatives transaction.

d. A material monetary loan, endorsement, or provision of guarantee.

e. The offering, issuance, or private placement of any equity-type securities.

f. The hiring or dismissal of an attesting CPA, or the compensation given thereto.

g. The appointment or discharge of a financial, accounting, or internal auditing officer.

h. Any other material matter so required by the Competent Authority.

Article 14-4. A company that has issued stock in accordance with this Act shall establish either an audit committee or a supervisor. The Competent Authority may, however, in view of the company's scale, type of operations, or other essential considerations, order it to establish an audit committee in lieu of a supervisor; the relevant regulations shall be prescribed by the Competent Authority.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. For a company that has established an audit committee, the provisions regarding supervisors in this Act, the Company Act, and other laws and regulations shall apply mutatis mutandis to the audit committee.

The following provisions of the Company Act shall apply mutatis mutandis with regard to independent directors who are members of the audit committee: Article 200; Articles 213 - 215; Article 216, paragraphs 1, 3, and 4; Article 218, paragraphs 1 and 2; Article 218-1; Article 218-2, paragraph 2; Article 220; Articles 223 - 226; the proviso of Article 227; and Article 245, paragraph 2.

Regulations governing exercise by the audit committee and its independent director members of the powers set out in the preceding two paragraphs, and matters related thereto, shall be prescribed by the Competent Authority.

A resolution of the audit committee shall have the concurrence of one-half or more of all members.

Article 14-5. For a company that has issued stock in accordance with this Act and established an audit committee, the provisions of Article 14-3 shall not apply to the following matters, which shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution: [Adoption or amendment of an internal control system pursuant to Article 14-1.

a. Assessment of the effectiveness of the internal control system.

b. Adoption or amendment, pursuant to Article 36-1, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.

c. A matter bearing on the personal interest of a director or supervisor.

d. A material asset or derivatives transaction.

e. A material monetary loan, endorsement, or provision of guarantee.

f. The offering, issuance, or private placement of any equity-type securities.

g. The iring or dismissal of an attesting CPA, or the compensation given thereto.

h. The appointment or discharge of a financial, accounting, or internal auditing officer.

i. Annual and semi-annual financial reports.

j. Any other material matter so required by the company or the Competent Authority. With the exception of subparagraph 10, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

A company that has established an audit committee is not subject to the provisions of Article 36-1 requiring that its financial reports be recognized by a supervisor. "All audit committee members" as used in paragraph 1 and the preceding article's paragraph 6, and "all directors" as used in paragraph 2, shall mean the actual number of persons currently holding those positions.

Article 14-6. A company whose stock is listed on the stock exchange or traded over-the-counter shall establish a remuneration committee. Regulations governing the professional qualifications for its members, the exercise of their powers of office, and related matters shall be prescribed by the Competent Authority. Remuneration referred to in the preceding paragraph shall include salary, stock options, and any other substantive incentive measures for directors, supervisors, and managerial officers.

Article 15. The securities businesses that may be operated in accordance with this Act are:

1.securities underwriting and other relevant businesses approved by the Competent Authority.

2.Securities dealing and other relevant businesses approved by the Competent Authority.

3.Securities commission agency, brokerage, agency, and other relevant businesses approved by the Competent Authority.

Article 16. Anyone which operates any of the securities businesses specified in the preceding

Article shall be a securities firm; securities firms may be categorized into:

1. a "securities underwriter" operates the business specified in subparagraph 1 of the preceding Article.

2. a "securities dealer" operates the business specified in subparagraph 2 of the preceding Article.

3. a "securities broker" operates the business specified in subparagraph 3 of the preceding Article.

Article 17 (Deleted).

Article 18. Approval from the Competent Authority is required for the operation of any securities finance enterprise, securities central depository enterprise, or any other securities-related services.

Rules governing the conditions for establishment, application and approval procedures, finances, operations, regulation, and other matters for compliance with respect to the securities enterprises referred to in the preceding paragraph shall be prescribed by the Competent Authority.

Article 18-1. The provisions of Article 38, Article 39, and Article 66 of this Act shall apply mutatis mutandis to enterprises referred to in the preceding Article.

The provisions of Article 53, Article 54, and Article 56 of this Act shall apply mutatis mutandis to employees of enterprises referred to in the preceding Article.

Article 18-2 (Deleted)

Article 18-3 (Deleted)

Article 19. All contracts entered into pursuant to this Act shall be in writing.

Article 20. During the public offering, issuing, private placement, or trading of securities, there shall be no misrepresentations, frauds, or any other acts which are sufficient to mislead other persons.

The financial reports or any other relevant financial or business documents filed or publicly disclosed by an issuer in accordance with this Act shall contain no misrepresentations or nondisclosures.

Anyone who violates the provisions of paragraph 1 shall be held liable for damages sustained by bona fide purchasers or sellers of the said securities.

The principal who commissions a securities broker to purchase or sell securities as a commission agent shall be deemed as a "purchaser" or "seller" for the purpose of the preceding paragraph.

Article 20-1. When the essential content of the financial reports or relevant financial or business documents referred to in paragraph 2 of the preceding article, or financial reports filed or publicly disclosed pursuant to Article 36, paragraph 1 contain misrepresentations or nondisclosures, the persons under the following subparagraphs shall bear liability for damages suffered by the bona fide purchasers, sellers, or holders of securities issued by the issuer:

a. The issuer and its responsible person.

b. Employees of the issuer who placed their signatures or seals on the financial report or the financial or business document in question.

With the exception of the issuer and the issuer's chairman and general manager, a person under any paragraph of the preceding subparagraph shall not be liable for damages when he or she can demonstrate that they exercised all due diligence and had legitimate cause to believe that the reports or documents contained no misrepresentations or nondisclosures.

A CPA who performs attestation of the financial reports or financial and business documents referred to in paragraph 1 shall be liable for the occurrence of any damages as set forth in paragraph 1 that arise out of misconduct, violation or negligence in connection with the performance of his or her duties as CPA. In respect of the liability of a CPA under the preceding paragraph, a good-faith buyer, seller, or holder of securities may petition a court to requisition the CPA's working papers, and further, to review or make copies of the same. The CPA and the accounting firm may not refuse such action.

With the exception of the issuer and the issuer's chairman and general manager, when the negligence of a person under any subparagraph of paragraph 1 or under paragraph 3 results in the occurrence of the damages set forth in paragraph 1, each such person shall bear liability for damages in proportion to their degree of responsibility. The provisions of paragraph 4 of the preceding Article shall apply mutatis mutandis to paragraph 1.

Article 21. The rights to claim damages prescribed in this Act shall be extinguished if not exercised within two years from the time the claimant learns of the cause which entitles him the right to claim the said damages, or within five years since the date of the offering, the issuance, or the trading.

Article 21-1. In order to further international cooperation between the competent securities authorities of the ROC government and foreign

countries, the ROC government and agencies (or institutions) authorized by it may, based on the principle of reciprocity, enter into a cooperative treaty or agreement with a foreign government or agency (institution), or with an international organization, to facilitate matters such as information exchange, technical cooperation, and investigation assistance. Unless such action otherwise conflicts with the interests of the state or the rights of the investing public, the Competent Authority may, in accordance with the treaty or agreement made pursuant to the preceding paragraph, require related authorities or related agencies (institutions), juristic persons, associations, or natural persons to provide necessary information in accordance with the treaty or agreement, and based on the principles of reciprocity and confidentiality, provide such information to the foreign government, agency (institution), or international organization which has executed the given treaty or agreement.

In order to further international cooperation in securities markets, in cases in which a foreign government has undertaken investigation, prosecution, or judicial procedure in connection with any suspected violation of foreign financial regulatory legislation, when the foreign government requests assistance with investigation in accordance with the treaty or agreement made pursuant to paragraph 1, the Competent Authority may require agencies (institutions), juristic persons, associations, or natural persons related to the securities trading to present relevant account books or documents or to appear at its offices to give explanations. When necessary, the Competent Authority may request the foreign government to send representatives to participate in its investigations.

A party who is required to appear at the offices of the Competent Authority to provide explanations under the preceding paragraph may select and retain, to appear with the party, a lawyer, certified public accountant, other agent, or other assisting personnel that the Competent Authority has given permission to accompany the party. An agency (institution), juristic person, body, or natural person referred to in paragraph 2 and paragraph 3 may not evade, impede, or refuse any requirement by the Competent Authority to provide relevant account books or documents or to appear at its offices to give explanations.

CHAPTER II THE OFFERING, ISSUING, PRIVATE PLACEMENT, AND TRADING OF SECURITIES

Section I The Offering, Issuing, and Trading of Securities

Article 22. With the exception of government bonds or other securities exempted by the Competent Authority, the public offering or issuing of securities without an effective registration with the Competent Authority shall be prohibited. An issuer under this Act shall be required to comply with

the preceding paragraph when it issues new shares pursuant to the provisions of the Company Act, except where the issuance is handled under Article 43-6, paragraphs 1 and 2. The provisions of paragraph 1 shall apply mutatis mutandis to a holder of securities as defined in Article 6, paragraph 1, or certificates of payment therefor, or documents of title thereto, or stock warrant certificates, or certificates of entitlement to new shares, who publicly offers to resell the securities or certificates.

Regulations governing the conditions, documents to be attached, review and approval procedures, and other matters for compliance with respect to the effective registrations under the preceding three paragraphs shall be prescribed by the Competent Authority.

In formulating or amending provisions of the preceding paragraph's regulations relating to foreign exchange, the Competent Authority shall consult the Central Bank of China.

Article 22-1. In the issuance of new shares to increase the capital by an issuer under this Act, the Competent Authority may prescribe the shareholding dispersal standards. The guidelines governing the processing of securities matters by an issuer shall be prescribed by the Competent Authority.

Article 22-2. The transfer of stocks by the directors, supervisors, managerial officers, or shareholders holding more than ten percent of the total shares of an issuer under this Act shall be effected in accordance with any of the following methods:

(1) An offering to the public following approval from or an effective registration with the Competent Authority.

(2) To transfer, at least three days following registration 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 exchange day.

(3) To transfer, within three days following registration with the Competent Authority, by means of private placement to designated persons satisfying the qualifications prescribed by the Competent Authority.

The resale of securities within one year of their initial acquisition by persons which acquired the said shares by means of a private placement under subparagraph 3 of the preceding paragraph shall be effected only in compliance with the methods specified in the preceding paragraph.

The calculation of shares held by shareholders referred to in paragraph 1 shall include shares held by their spouses and minor children and those held under the names of other parties.

Article 23. The transfer of stock warrant certificates shall be effected during the time period the option of the original warrant holder remains effective.

Article 24. Where an issuer issues new shares in accordance with this Act, any of its previous shares not issued in accordance with this Act shall be deemed as having been issued in accordance with this Act.

Article 25. Upon registering the public issuance of its shares, a company shall file with the Competent Authority and announce to the public the class and numbers of the shares held by its directors, supervisors, managerial officers, and shareholders holding more than ten percent of the total shares of the company.

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. The Competent Authority may order an issuer to make public announcement of such information should it deem the measure necessary.

The provisions of paragraph 3 of Article 22-2 shall apply mutatis mutandis to the calculation of shareholding referred to in the preceding two paragraphs of this Article. 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.

Article 25-1. The use of proxies for the attendance of a shareholders meeting of an issuer shall be restricted, enjoined, or regulated; the regulations governing the qualifications of an issuer's proxy solicitors, proxy agents, and those handling proxy solicitation matters on its behalf, the format, acquisition, and methods of solicitation or agenting of proxy forms, the number of shares represented, statistical tallying and verification, the conditions under which votes cast by proxy shall be excluded, documents for reporting and public access, provision of information and other matters for compliance shall be prescribed by the Competent Authority.

Article 26. The total shares of nominal stocks held by the entire body of either directors or supervisors of an issuer shall not be less than a specified percentage of its total issued shares.

The rules regulating the minimum percentage to be held by the directors and supervisors referred to in the preceding paragraph, and the examination of such holding shall be prescribed by an order from the Competent Authority.

Article 26-1. In convening a shareholders meeting, an issuer under this Act shall specify, with explanation of the material contents, in the notice of shareholders meeting where there are proposals relating to paragraph 1 of

Article 209, paragraph 1 of Article 240, and paragraph 1 of Article 241 of the Company Act. Extraordinary motions regarding such proposals shall be prohibited.

Article 26-2. The notice of the shareholders meeting to be given by an issuer to shareholders who own less than 1,000 shares of nominal stocks may be given in the form of a public announcement; for a regular shareholders meeting, such public announcements shall be served with thirty days prior notice, and for a special shareholders meeting with fifteen days prior notice.

The board of directors of a company that has issued stock in accordance with the Act may not number less than five persons.

When the government or a juristic person is a shareholder of a public company, then except with the approval of the Competent Authority, the provisions of Article 27, paragraph 2 of the Company Act shall not apply, and a representative of the government or juristic person may not concurrently be selected or serve as the director or supervisor of the company.

Except where the Competent Authority has granted approval, the following relationships may not exist among more than half of a company's directors:

1. A spousal relationship.
2. A familial relationship within the second degree of kinship.

Except where the Competent Authority has granted approval, a company shall have at least one or more supervisors, or one or more supervisors and directors, among whom no relationship under the preceding subparagraphs exists.

When a company convenes a shareholders meeting for the election of supervisors or directors and the original selectees do not meet the conditions of the two preceding paragraphs, determination of which directors or supervisors are elected shall be made according to the following provisions:

1. When there are some among the directors who do not meet the conditions, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.
2. When there are some among the supervisors who do not meet the conditions, the provisions of the preceding subparagraph shall apply mutatis mutandis.
3. When there are some among the directors and supervisors who do not meet the conditions, the election of the supervisor receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.

When a person serving as director or supervisor is in violation of the provisions of paragraph 3 or paragraph 4, that person shall be subject to ipso

facto dismissal through the mutatis mutandis application of the provisions of the preceding paragraph.

When the number of directors falls below five due to the dismissal of a director for any reason, the company shall hold a by-election for director at the next following shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders meeting within 60 days of the occurrence of that fact to hold a by-election for directors.

A company shall formulate rules for the conduct of directors meetings; regulations governing the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcement, and other matters for compliance shall be prescribed by the Competent Authority.

Article 27. The minimum or the maximum values for each share of publicly issued stocks shall be determined by the Competent Authority. The value of stocks issued prior to such a determination shall be its original value; the value of stocks newly issued for capital increases shall be determined in like manner.

A company shall report any modification of its share issue price to the Competent Authority.

Article 28 (Deleted).

Article 28-1. For public companies whose stocks are neither listed on a stock exchange nor traded on the over-the-counter market, and whose ownership dispersal failed to meet the standards prescribed by the Competent Authority pursuant to paragraph 1 of Article 22-1, the Competent Authority may require a certain percentage of its new issues to be publicly offered, unless such a public offering is deemed to be unnecessary or inappropriate by the Competent Authority; the provisions of paragraph 3 of Article 267 of the Company Act which allows the original shareholders the rights to priority subscription to new issues shall not be applicable.

In cash offering of new shares by a public issued company whose stocks are either listed on a stock exchange or traded on the over-the-counter market, the Competent Authority may require a certain percentage of its new issues to be offered at the market value to the public; in such circumstance, the provisions of paragraph 3 of Article 267 of the Company Act which allows the original shareholders the rights to priority subscription to new issues shall not be applicable.

The percentage referred to in the preceding two paragraphs shall be ten percent of the total shares newly issued. The ten percent requirement shall be precluded in case a higher percentage has been so determined by a resolution of the shareholders meeting. The value of the shares publicly offered in compliance with paragraphs 1 and 2 and the value of the shares in the same

issue reserved for subscription by the employees and original shareholders shall be identical.

Article 28-2. In any of the following situations, a company whose stocks are either listed on a stock exchange or traded on the over-the-counter market may, upon the approval of a majority of the directors present at a directors meeting attended by two-thirds or more of directors, buy back its shares from the centralized securities exchange market or over-the-counter market or in accordance with paragraph 2 of Article 43-1, without being subject to the provisions of paragraph 1 of Article 167 of the Company Act:

1. Where the buyback is for transferring shares to its employees;

2. Where the buyback is for equity conversion in coordination with the issuance of corporate bonds with warrants, preferred shares with warrants, convertible corporate bonds, convertible preferred shares, or share subscription warrants; or

3. Where the buyback is required to maintain the company's credit and shareholders' equity and the shares so purchased are cancelled.

The number of shares bought back under the preceding paragraphs may not exceed ten percent of the total number of issued and outstanding shares of the company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve. The procedure, price, quantity, method, conversion method, and public announcement to be reported in connection with buyback of shares by a company in accordance with paragraph 1 above shall be prescribed by an order of the Competent Authority The shares bought back by a company in accordance with paragraph 1, except for the portion referred to in subparagraph 3 for which amendment registration shall be effected within six months from the date of buyback, shall be transferred within three years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed.

The shares bought back by a company in accordance with paragraph 1 shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed. In the event that a company buys back shares from the centralized securities exchange market or over-the-counter market, the shares held by its affiliated enterprises defined under Article 369-1 of the Company Act, its directors, supervisors, managerial officers, their spouses, minor children, or shares held in the name of other persons shall not be sold during the buyback period.

The resolution referred to in paragraph 1 and the implementation thereof shall be reported in the most recent shareholders meeting. This provision shall also apply if the shares are not bought back for any reason.

Article 28-3. The public issued companies which offer or issue stock warrants, preferred shares with warrants or corporate bonds with warrants shall, upon subscribers exercising warrant rights in accordance with the subscription rules prescribed by the companies, be obligated to issue shares to them; the provisions of paragraph 7 of Article 156 of the Company Act which provides for identical price and paragraphs 1, 2, and 3 of Article 267 of the same act which allow the employees and original shareholders the rights to priority subscription to new issues shall not be applicable. The articles of incorporation shall state the number of shares to be subscribed for under the subscription rules prescribed by the companies referred to in the preceding paragraph and shall not be subject to the restrictions under paragraphs 1 and 2 of Article 278 of the Company Act.

Article 28-4. The total issue amount of the secured corporate bonds, convertible corporate bonds or corporate bonds with warrants offered and issued by a company which has issued stocks in accordance with this Act may not exceed 200% of its total assets less total liabilities, unless the Competent Authority has obtained the approval of the central authority with jurisdiction over the business of the company, and is not subject to the restrictions under Article 247 of the Company Act.

Article 29. An issue of corporate bonds with a guaranty provided by financial institutions shall be deemed as a secured issue.

Article 30. In its application for approval to publicly offer and issue securities, an issuer is required to submit a prospectus, in addition to those items already required by the Company Act.

The information required to be supplied in the prospectus referred to in the proceeding paragraph shall be prescribed by the Competent Authority. The provisions of paragraph 1 shall apply mutatis mutandis where a company applies for listing on a stock exchange or trading over-the-counter trading of its securities; the rules governing the information required to be included in the prospectus shall be prescribed by the stock exchange and over-the-counter securities exchange, respectively, and submitted for approval by the Competent Authority.

Article 31. A prospectus shall be delivered to the subscriber of securities prior to public offering. Any person which violates the preceding paragraph shall be held liable for the compensation of damages sustained by any bona fide counterpart.

Article 32. In the event the prospectus referred to in the preceding Article contains false information or omissions in its material contents, the following persons, within the scope of their responsibilities, shall be held jointly liable with the issuer to any bona fide counterpart for damages resulted therefrom:

1. The issuer and its responsible persons.

2. Any employees of the issuer who has signed and affixed his/her seal on the prospectus to certify its accuracy in whole or in part.

3. Any underwriter with respect to such securities.

4. any certified public accountant, lawyer, engineer, or any professional or technical person who has signed and affixed his/her seal to certify in whole or in part, or to present his/her opinion, on the correctness of the prospectus.

With the exception of the issuer, the persons referred to in subparagraphs 1 through 3 of the preceding paragraph shall not be held liable if he/she can prove that he/she has exercised reasonable care, and that he/she has just cause to believe that with respect to portions of materials not certified by a person referred to in subparagraph 4, the material contents have no false information nor omissions, or that he/she has just causes to believe that the portion he/she certified was accurate; the persons referred to in subparagraph 4 of the preceding paragraph also shall not be held liable if he/she can prove that reasonable investigation has been exercised and that he/she has just causes to believe that the certification or the opinions rendered thereto were accurate.

Article 33. The stock or bond subscriber shall deliver the payment due for the subscription of stocks or bonds, together with the subscription forms for stocks or bonds, to the collecting agent. Upon receipt of the payment, the collecting agent shall deliver to the subscriber a stock or bond certificate of payment signed and sealed by the issuer. Both the certificate of payment referred to in the preceding paragraph and its counterpart shall be signed and sealed by the collecting agent, and the counterpart certificate shall be returned to the issuer.

In the issuance of new shares by an issuer under this Act, where the publicly announced period for payment of subscription pursuant to Article 273 is longer than one month, the failure of a subscriber to effect payment within the said period shall result in the forfeiture of his/her rights of subscription. The provisions of paragraph 3 of Article 266 of the Company Act applying mutatis mutandis the provisions of Article 142 of the Company Act shall not be applicable.

Article 34. An issuer shall deliver the share certificates or bond certificates to the subscribers against the aforesaid certificates of payment as referred to in the preceding Article within thirty days from the date such stocks or bonds may be issued pursuant to the Company Act; public announcement shall be made prior to the delivery of such certificates.

The transfer of stock or bond certificates of payment beyond the period specified in the preceding paragraph shall be prohibited.

Article 35. Stock certificates or bond certificates issued by a company shall be duly certified. The regulations governing such certification shall be prescribed by the Competent Authority.

Article 36. Unless under special circumstances as otherwise provided by the Competent Authority, an issuer under this Act shall perform public announcement and registration with the Competent Authority as follows:

1. within three months after the close of each fiscal year, publicly announce and register with the Competent Authority financial reports duly audited and attested by a certified public accountant, approved by the board of directors, and recognized by the supervisors.

2. Within 5 days after the end of the first, second, and third quarters of each fiscal year publicly announce and register with the Competent Authority financial reports duly reviewed by a certified public accountant and reported to the board of directors.

3. Within the first ten days of each calendar month publicly announce and register with the Competent Authority the operating status for the preceding month. Regulations governing the applicable scope of "special circumstances"as referred to in the preceding paragraph, deadlines for public announcement and registration under such special circumstances, and other matters for compliance in connection therewith, shall be prescribed by the Competent Authority.

Within two days from the date of occurrence of any of the following events, any company referred to in paragraph 1 of this Article shall publicly announce and register with the Competent Authority:

1.the annual financial reports approved by the regular meeting of shareholders if such reports are inconsistent with the annual financial reports which have been announced to the public and filed with the Competent Authority.

2.any event which has a material impact on shareholders' equity or securities prices. The companies referred to in paragraph 1 shall prepare an annual report and distribute it to all shareholders prior to or at the regular meeting of shareholders. The particulars to be covered in the annual report, principles for its preparation, and other matters for compliance shall be prescribed by the Competent Authority. Copies of the reports publicly announced and registered with the Competent Authority referred to in paragraphs 1 to 3, and the annual report referred to in the preceding paragraph shall, in case such securities are listed on the stock exchange, be sent to the stock exchange, or in the case of securities traded over-the-counter, sent to the agency (institution) designated by the Competent Authority, for review by the public.

During the reorganization procedure of an issuer, matters to be ratified by the board of directors and the supervisors under paragraph 1 shall be ratified by the reorganizers or the reorganization supervisors of the issuer.

The regular meeting of shareholders of a company whose stock is listed on the stock exchange or traded over-the-counter shall be held within six months after the close of each fiscal year, and the proviso of Article 170, paragraph 2 of the Company Act shall not apply.

In a year in which expires the term of the directors and supervisors of a company whose stock is listed on the stock exchange or traded over-the-counter, if the board of directors does not convene the regular meeting of shareholders to elect directors and supervisors for the new term in accordance with the preceding paragraph, the Competent Authority may ex officio set a deadline for the meeting to be held. If the meeting is not held by the deadline, the entire body of directors and supervisors shall ipso facto be dismissed from the time of expiration of the deadline.

Article 36-1. The Competent Authority shall prescribe rules governing the applicable scope, work procedures, required public announcements, required filings, and other matters for compliance for major financial or operational actions of public companies such as acquisition or disposal of assets, engaging in derivatives trading, extension of monetary loans to others, endorsements or guarantees for others, and disclosure of financial projections.

Article 37. Permission from the Competent Authority is required for a certified public accountant to audit and attest the financial reports referred to in Article 36; the criteria governing the said approval procedures shall be prescribed by the Competent Authority. Except as otherwise provided by the Certified Public Accountant Act or other acts, a certified public accountant conducting audit and attestation under the preceding paragraph shall do so in compliance with the audit and attestation rules promulgated by the Competent Authority.

Depending upon the seriousness of mistake or omission committed by a certified public accountant in the attestation of the financial reports referred to in paragraph 1, the Competent Authority may impose any of the following sanctions:

1. warning.
2. suspensionfrom practicing any attestation under this Act for a period of two years.
3. Revocation of his/her attestation permission.

The financial reports referred to in paragraph 1 of Article 36 shall be placed at the company's office and branch units for the inspection or copying by the shareholders and creditors.

Article 38. In order to protect public interests and the interests of investors, the Competent Authority may, prior to the approval of a public offer or issuance, either require the issuer, securities underwriters, or other related parties to submit reference materials or reports, or make a direct examination of relevant documents and accounts. The Competent Authority may, at any time after the issuance of securities, order the issuer to submit financial and business reports or makes a direct examination of the financial and business conditions of the issuer.

Article 38-1. When the Competent Authority deems necessary, it may from time to time appoint a certified public accountant, lawyer, engineer, or any other professionals or technicians to examine the financial and business conditions and related documents, statements, and account books of the issuer, securities underwriter, or other related parties and to submit reports or opinions to the Competent Authority, at the expense of the examinee.

When shareholders who have been continuously holding, for a period of 1 year or longer, 3 percent or more of the total number of the outstanding shares of a company whose stock is listed on the stock exchange or traded over-the-counter deem that a specific matter materially damages the interests of shareholders, they may apply to the Competent Authority with reasons, related evidence, and explanations of necessity, asking for inspection of the specific matter, related documents, and account books of the issuer. If the Competent Authority deems necessary, it will proceed pursuant to the preceding paragraph.

Article 39. During its examination of the disclosed financial reports and other reference materials or reports of the issuer, or by its direct investigation of the financial and business conditions of the issuer, the Competent Authority may issue a corrective order, or it may additionally impose penalties pursuant to this Act if it finds that the issuer has failed to comply with an act or regulation.

Article 40. Approval of a public offering shall not be used as reference in the promotion as if that the application materials have been verified or that the value of the securities thereof has been guaranteed.

Article 41. Where the Competent Authority deems necessary, it may order an issuer under this Act to set aside, in addition to the allocation for legal reserve required by law, a certain proportion of its earnings as special reserve.

Where an issuer under this Act files an application for permission to capitalize its legal reserve or capital reserve, it shall first make up its deficit. In the event that the capitalization is to be realized from capital reserve, a cap of certain percentage shall be provided.

Article 42. An issuer shall file an application with the Competent Authority for commencement of the examination and approval procedures

prescribed in this Act where it intends to have its stock that were not issued pursuant to this Act listed on a stock exchange or traded on the over-the-counter markets.

The trading, public tender offer, or brokerage of stocks not registered under the public issuance examination and approval procedures referred to in the preceding paragraph shall be prohibited.

Article 43. The payment or settlement of securities listed on the stock exchange or traded on over-the-counter markets shall be effected on a cash payment and actual delivery basis. The settlement period and the margin deposit to be paid in advance shall be prescribed by an order of the Competent Authority.

Settlement for transactions in securities held in the custody of a securities depository may be effected through book-entry transfer; the guidelines for operation of such transfer shall be prescribed by the Competent Authority. In the event that securities held in the custody of a securities depository are the subject of a pledge, the delivery of the pledge created may be effected through book-entry transfer; Article 908 of the Civil Code shall not be applicable. The securities held in the custody of a securities depository on a commingled basis shall be co-owned by the owners in accordance with the types and quantities of securities deposited by them. Upon withdrawal, the securities with the same type and the same quantity may be returned.

To handle custody business, a securities depository may enter the stocks and corporate bonds held in its custody into the issuer's shareholders register or corporate bond counterfoils in its own name. Before the stock or corporate bond issuer calls a shareholders meeting or corporate bondholders meeting, decides to distribute dividends and bonus or other benefits, or pays principal or interest, the notification by a securities depository to the issuer of the true name or title, domicile or residence of the owner of stocks or corporate bonds held in its custody, and the amount held by such owner shall have the effect that such information has been entered into the issuer s shareholders register or corporate bond counterfoils or that the stocks or corporate bonds have been delivered to the issuer; the provisions of paragraph 1 of Article 165,

Article 176, Article 260, and paragraph 3 of Article 263 of the Company Act shall not be applicable.

The provisions in the preceding two paragraphs shall apply mutatis mutandis to government bonds and other securities.

Section II Purchase of Securities

Article 43-1. Any person who acquires, either individually or jointly with other persons, more than ten percent of the total issued shares of a

public company shall file a statement with the Competent Authority within ten days after such acquisition, stating the purpose and the sources of funds for the purchase of shares and any other matters required to be disclosed by the Competent Authority; such persons shall file timely amendment when there are changes in the matters reported.

Any public tender offer to purchase the securities of a public company bypassing the centralized securities exchange market or the over-the-counter market may be conducted only after it has been reported to the Competent Authority and publicly announced, except under the following circumstances:

1. The number of securities proposed for public tender offer by the offeror plus the total number of securities of the public company already obtained by the offeror and its related parties do not exceed five percent of the total number of voting shares issued by the public company.
2. The securities purchased by the offeror through the public tender offer are securities of a company of which the offeror holds more than 50 percent of the issued voting shares.
3. Other circumstances in conformity with the regulations prescribed by the Competent Authority.

Where any person independently or jointly with another person(s) proposes to acquire a certain percentage of the total issued shares of a public company shall make the acquisition by means of a public tender offer, unless certain conditions are satisfied. The scope, conditions, period, related parties, and particulars for filing and public announcement in connection with purchases of securities pursuant to paragraph 2, and the "certain percentage" and "conditions" in the preceding paragraph shall be prescribed by the Competent Authority.

Article 43-2. A public tender offeror shall adopt uniform purchase conditions in the public tender offer, and may not make any of the following modifications to the purchase conditions:

1. Lower the public tender offer price.
2. Lower the proposed number of securities to be purchased through the public tender offer.
3. Shorten the public tender offer period.
4. Other particulars as prescribed by the Competent Authority.
5. A public tender offeror that violates the requirement of uniform purchase conditions set forth in the preceding paragraph shall be liable for damages to the tenderer up to the amount of the difference between the highest price paid under the public tender offer and the price paid to thetenderer, multiplied by the number of shares subscribed.

Article 43-3. From the date of filing and public announcement until the date of lapse of the public tender offer period, the public tender offeror and

its related parties shall not purchase securities of the same type of the public company through the centralized securities exchange, over-the-counter markets, or any other markets, or by any other means. A public tender offeror that violates the preceding paragraph shall be liable to the tenderer for damages up to the amount of the difference between the price paid for the securities purchased through other means and the price under the public tender offer, multiplied by the number of shares subscribed.

Article 43-4. The public tender offeror, unless buying back shares pursuant to Article 28-2, shall deliver the public tender offer prospectus to the tenderer upon the tenderer's request or upon the tenderer's deposit of the securities with the appointed institution.

The particulars to be published in the public tender offer prospectus referred to in the preceding paragraph shall be prescribed by the Competent Authority.

The provisions of Article 31, paragraph 2 and of Article 32 shall apply mutatis mutandis to paragraph 1 hereinabove.

Article 43-5. After a public tender offeror has initiated a public tender offer, it may not suspend the public tender offer except in any of the following circumstances, where the Competent Authority has granted approval:

1. The public company whose securities are being purchased encounters any material change in its financial or business condition and the offeror has presented evidence of the change.
2. The offeror becomes bankrupt, dies, is declared by a court to be under guardianship or assistance, or is required by a court ruling to undergo reorganization.
3. Other circumstances specified by the Competent Authority. Where content reported or publicly announced by an offeror violates an act or regulation, the Competent Authority may, as necessary to protect the public interest, order the offeror to amend the particulars of the public tender offer report and carry out reporting and public announcement procedures anew.

If the offeror fails to acquire the proposed number of shares within the tender offer period or suspension of the public tender offer is approved by the Competent Authority, the offeror may not, within one year therefrom, carry out a public tender offer on the same company, unless it has legitimate reasons and has obtained approval from the Competent Authority.

If, after the public tender offer, the total number of issued shares of the acquired company held by the offeror and its related parties exceeds 50 percent of the total number of shares issued by the company, the offeror may, by a proposal in writing, with reasons stated therein, request the board of directors to convene a special meeting of shareholders; the restrictions set forth in Article 173, paragraph 1 of the Company Act shall not apply.

Section III Private Placement and Trading of Securities

Article 43-6. A public company may carry out private placement of securities with the following persons upon adoption of a resolution by at least two-thirds of the votes of the shareholders present at a meeting of shareholders who represent a majority of the total number of issued shares; the restrictions of Article 28-1 and Article 139, paragraph 2 hereof and Article 267, paragraphs 1 to 3 shall not apply in such case:

1. Banks, bills finance enterprises, trust enterprises, insurance enterprises, securities enterprises, or other juristic persons or institutions approved by the Competent Authority.

2. Natural persons, juristic persons, or funds meeting the conditions prescribed by the Competent Authority.

3. Directors, supervisors, and managerial officers of the company or its affiliated enterprises.

The total number of places under subparagraphs 2 and 3 of the preceding paragraph shall not exceed 35 persons.

A private placement of ordinary corporate bonds shall have a total issue amount not exceeding 400 percent of its total assets less total liabilities, unless the Competent Authority has obtained the approval of the central authority with jurisdiction over the business of the company; such a private placement is not subject to the restrictions under Article 247 of the Company Act, and may be carried out in installments within one year of the date of the resolution of the board of directors. Upon the reasonable request by a person(s) under paragraph 1, subparagraph 2 prior to consummation of the private placement, the company shall bear the obligation to provide information on company finances, business, or other information relevant to the current private placement of securities.

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 submit the relevant documentation in a report to the Competent Authority for recordation. For private placements of securities conducted pursuant to paragraph 1, the following particulars shall be enumerated and explained in the notice to convene the shareholders meeting, and shall not be raised as extemporary motions:

1. The basis and rationale for the setting of the price.

2. The means of selecting the specified persons. Where the places have already been arranged, the relationship between the places and the company shall also be described.

3. The reasons necessitating the private placement.

For private placements of securities conducted pursuant to paragraph 1, where the relevant particulars of the private placement by installments have

been enumerated and explained in the proposal to the shareholders meeting as provided in the subparagraphs of the preceding paragraph, the private placement may be carried out by installments within one year of the date of the resolution of the shareholders meeting.

Article 43-7. Private placement and resale of securities may not be the subject of general advertisements or public inducements.

Any violation of the preceding paragraph shall be considered an act of public offering to the general public.

Article 43-8. Placees and purchasers of privately placed securities may not resell the securities except under the following circumstances:

1. Where the privately placed securities are held by persons specified in Article 43-6, paragraph 1, subparagraph 1 and no securities of the same type as said privately placed securities are traded on the centralized securities exchange market or over-the-counter markets, and the securities are transferred to persons of the same qualifications;
2. Where the privately placed securities are transferred to persons conforming to Article 43-6, paragraphs 1 and 2, at least one full year after the delivery date of the privately placed securities and within three years of said delivery date, subject to the restrictions prescribed by the Competent Authority concerning holding period and trading volume;
3. Where three full years have elapsed since the delivery date;
4. Where a transfer occurs by operation of act or regulation;
5. Where it is a direct private transfer of securities not in excess of one trading unit, and the interval between any two such transfers is not less than three months.
6. Where otherwise approved by the Competent Authority.

The restrictions on transfers of privately placed securities set forth in the preceding paragraph shall be conspicuously annotated on a company's share certificates, and shall be stated on the relevant written documentation delivered to the placee or purchaser.

CHAPTER III SECURITIES FIRMS

Section I General Provisions

Article 44. The approval and certificate of license from the Competent Authority are required for the operation of securities business by a securities firm; the operation of securities business by persons other than securities firms shall be prohibited. Approval from the Competent Authority shall be required for the establishment of branch units by a securities firm.

The establishment of branch units by a foreign securities firm within the territory of the Republic of China shall be prohibited without the approval and a certificate of license from the Competent Authority.

Standards for establishment of securities firms governing matters including the conditions for establishment of securities firms and their branch units, the types of business in which they may engage, application procedures and documents to be attached, and rules governing their finances, operations and other matters for compliance shall be prescribed by the Competent Authority.

The Competent Authority shall consult with the Central Bank of China when it adopts or amends provisions of the rules referred to in the preceding paragraph regarding foreign exchange business.

Article 45. A securities firm shall operate within the business categories as authorized under Article 16, and may not operate securities business beyond the authorized scope, provided that with the approval of the Competent Authority, this restriction shall not apply.

A securities firm shall not be operated concurrently by other businesses; however, a financial institution with approval from the Competent Authority shall be allowed to concurrently operate securities business.

A securities firm shall not invest in another securities firm except with the approval of the Competent Authority.

Article 46. A securities firm concurrently operating the business of a securities dealer and a securities broker pursuant to the proviso of paragraph 1 of the preceding Article shall indicate on written documents for every transaction whether such transaction is made for its own account or for its customers.

Article 47. A securities firm shall be a company duly organized under the law; however, a financial institution which is concurrently engaged in securities business in accordance with the proviso of paragraph 2 of Article 45 shall be exempted from this restriction.

Article 48. The minimum capital requirement of securities firms shall be prescribed by the Competent Authority in consideration of the business the securities firm is permitted to operate.

The capital referred to in the preceding paragraph shall mean the total monetary amount of outstanding shares.

Article 49. The aggregate liabilities of a securities firm shall not exceed a prescribed multiple of its capital net worth; the aggregate current liabilities shall not exceed a prescribed percentage of its aggregate current assets.

The foregoing multiple and percentage shall be prescribed by the Competent Authority.

Article 50. The name of a securities firm shall indicate clearly the word "securities." A financial institution which operates securities business under the proviso of paragraph 2 of Article 45 shall be exempted from this requirement.

No persons other than securities firms may use names similar to "securities."

Article 51. A director, supervisor, or manager of a securities firm shall not serve concurrently in any position at another securities firm, provided that when there is an investment relationship, a director, supervisor, or managerial officer may serve concurrently as the director or supervisor of the invested securities firm with the approval of the Competent Authority.

Article 52 (Deleted)

Article 53. No person who falls within any of the following categories shall serve as the director, supervisor, or managerial officer of a securities firm; those appointed and currently serving in any of these capacities shall be discharged; the Competent Authority shall also make written request to the Ministry of Economic Affairs to rescind the registration as the director, supervisor, or managerial officer of such persons:

1. Any person specified in any subparagraph of Article 30 of the Company Act.
2. Any person who served as the director, supervisor, managerial officer or other equivalent position in a juristic person at the time when it was adjudged bankrupt, and that three years have not elapsed since the finalization of the bankruptcy, or that the reconciliation has not yet been fulfilled.
3. Any person with whom in the last three years a financial institution has refused to transact, or who has a bad credit record.
4. Any person who has been sentenced under this Act to a criminal penalty of severity equal to or greater than the imposition of a criminal fine, and three years have not elapsed since the completion of sentence execution, the expiration of suspension of sentence, or the pardon of such punishment.
5. Any person who has violated the provision of Article 51 hereof.
6. Any person who was discharged from his position under Article 56 or subparagraph 2 of Article 66 hereof within the last three years.

Article 54. Associated persons employed by securities firms whose duties relate to the securities business shall be twenty years of age or over and possess the qualifications required by relevant acts and regulations, and shall not fall within one of the following categories:

1. Having been adjudged bankrupt and not reinstated, or having been declared by a court to be under guardianship or assistance and that declaration has not been voided.
2. Concurrently holding a position with another securities firm, provided that this restriction shall not apply when there is an investment relationship and the Competent Authority has granted approval allowing concurrent holding of the position of director or supervisor at the invested securities firm.

3. (Deleted)

4. Having been sentenced to a criminal penalty of severity equal to or greater than a term of imprisonment for fraud, breach of trust, or violation of laws governing business and industry, and three years have not elapsed since the date of completion of the sentence execution, the expiration of suspension of sentence, or the pardon of such punishment.

5. Falling under any of the situations specified in either subparagraphs 2 through 4 or subparagraph 6 of the preceding Article.

6. Having violated orders issued by the competent Authority in accordance with this Act.

The job title of the associated persons referred to in the preceding paragraph shall be prescribed by the Competent Authority.

Article 55. Following the incorporation and registration process, a securities firm shall, in accordance with the regulation prescribed by the Competent Authority, deposit an operation bond.

Creditors whose claims arise from the specially approved business of a securities firm shall have preferential right of payment from the deposited operation bond referred to in the preceding paragraph. If any director, supervisor, or employee of a securities firm is found to have committed any act which violates this Act or another related act or regulation, and if such violation may affect the normal operation of the said securities firm, the Competent Authority, in addition to ordering the said securities firm to suspend business operation of such person for not more than one year or discharge such person at any time, may also impose sanctions in accordance with Article 66 depending on the severity of the violation.

Article 57. The approval to operate the securities business, or the approval to establish branch units by a securities firm may be revoked should the said securities firm be found by the Competent Authority to have violated an act or regulation or supplied false information.

Article 58. A securities dealer shall register the commencement or suspension of its business or that of its branch units with the Competent Authority for reference.

Article 59. The approval to operate the securities business or the approval to establish branch unit may be revoked should the Competent Authority finds that the securities firm has failed to commence business within three months following the approval was granted to operate the securities business; or that the operation of securities business has been commenced but was subsequently voluntarily suspended for a period of more than three consecutive months.

Where there are just reasons, the securities firm may apply to the Competent Authority for extending the term referred to in the preceding paragraph.

Article 60. Except with the approval of the Competent Authority, a securities firm may not engage in the following types of business:

1. Providing margin purchases or short sales for securities transactions.
2. Acting as an agent in margin purchases or short sales for securities transactions.
3. Borrowing or lending securities, or acting as an agent or intermediary in the borrowing or lending of securities.
4. Borrowing or lending money in connection with securities business, or acting as an agent or intermediary for such borrowing or lending of money.
5. In connection with securities business, accepting a commission from a client to act as depository or invest the client's funds.

Regulations governing the qualifications, personnel, operations, and risk management of a securities firm applying for approval to engage in related business in accordance with the preceding paragraph shall be prescribed by the Competent Authority.

Article 61. The permissible amount, terms, financing ratio, and the margin percentage required for margin purchases and short sales for securities transactions shall be prescribed by the Competent Authority after consultation with and consent from the Central Bank of China. The eligibility criteria of securities for margin purchases and short sales shall be prescribed by the Competent Authority.

Article 62. Without the approval from the Competent Authority, the trading of securities by securities brokers or dealers in an over-the-counter market, on the account of its customers, or on its own account, shall be prohibited.

The rules governing the transaction in the over-the-counter market referred to in the preceding paragraph shall be prescribed by the Competent Authority. The provisions of Article 156 and 157 shall apply mutatis mutandis to the transaction referred to in paragraph 1 hereof.

Article 63. The provisions of Article 36 regarding the preparation, submission and publication of financial reports shall apply mutatis mutandis to securities firms.

Article 64. At any time whenever it is required for protecting the public interests or the interest of investors, the Competent Authority may order a securities firm to provide financial or business reports and information, or examine the business operations, assets, books and records, documents or other relevant objects. The Competent Authority may seal or take possession of relevant documents should it find that there is substantial likelihood of violation of an act or regulation.

Article 65. Upon its examination of the business or financial conditions of a securities firm, should the Competent Authority find that there are

matters not in conformity with the related regulations, the Competent Authority may at any time order that the non-conformity be corrected.

Article 66. Where a securities firm has violated this Act or any order issued thereunder, in addition to being subject to the punishment provided under this Act, the Competent Authority may, depending on the severity of the offense, impose any of the following sanctions:

1. warning.

2. ordering the securities firm to remove its directors, supervisors, or managerial officers from their office.

3. Suspending the business, in whole or in part, of the company or its branch for a period of not more than six months.

4. Revoking the business license of the company or its branch.

Article 67. A securities firm whose license has been revoked, or whose business has been suspended shall settle any transactions in securities or any other matters that have been entrusted to it before the revocation of its license or the suspension of its business.

Article 68. A securities firm whose business license has been revoked shall be deemed as a securities firm to the extent and within the scope of winding up and settling the transactions or any other matters entrusted to it in the preceding paragraph; a securities firm ordered to suspend operation shall be deemed to be in operation to the extent and within the scope of winding up and settling the transactions or any other matters entrusted prior to the suspension of securities business.

Article 69. Where a securities firm dissolves or partially ceases a part of its business, its board of directors shall file a registration statement with the Competent Authority explaining the reasons.

The provisions of Article 67 and 68 shall apply mutatis mutandis to matters referred to in the preceding paragraph.

Article 70. The rules governing matters regarding the responsible persons and associated persons of securities firms shall be prescribed by the Competent Authority.

Section II Securities Underwriting

Article 71. A securities underwriter which underwrites securities on a firm commitment basis shall, at the end of the period of underwriting specified in the underwriting agreement, subscribe the unsold portion of securities for its own account.

The securities underwriter which underwrites securities on a firm commitment basis may subscribe to such securities before placing them for sale or it may specify in the underwriting agreement that a portion of the securities covered in the agreement shall be reserved for subscription by the underwriter for his own account.

The qualifications required for an underwriter to undertake firm commitment underwriting shall be prescribed by the Competent Authority.

Article 72. A securities underwriter which underwrites securities on a best efforts basis may, at the end of the underwriting period specified in the underwriting agreement, return the unsold portion of securities to the issuer.

Article 73 (Deleted).

Article 74. Unless acting pursuant to Article 71, an underwriter shall not during the underwriting period acquire for its own account securities which it has underwritten either on a firm commitment or a best efforts basis.

Article 75. The regulations for sale of securities acquired by a securities underwriter in accordance with Article 71 shall be prescribed by the Competent Authority.

Article 76 (Deleted).

Article 77 (Deleted).

Article 78 (Deleted).

Article 79. An underwriter shall be required to deliver on the behalf of the issuer a prospectus in compliance with paragraph 1 of Article 31 when selling the securities it underwrites.

Article 80 (Deleted).

Article 81. An underwriter's total amount of a firm commitment underwriting shall not exceed a certain multiple of the balance of its current assets less its current liabilities; standards for such multiple shall be prescribed by the Competent Authority.

The preceding paragraph shall apply to the calculation of the amount of firm commitment underwriting by each participating underwriter in the underwriting syndicate.

Article 82. The standards governing the maximum compensation for firm commitment underwriting or the maximum commission for best efforts underwriting shall be prescribed by the Competent Authority.

Section III Securities Dealers

Article 83. A securities dealer shall be allowed to subscribe to stocks and corporate bonds.

Article 84. A securities dealer which concurrently conducts the business of an underwriter shall be governed by the restrictions specified in Article 74.

Section 4 Securities Brokers

Article 85. The standards on the commission to be charged to a principal by a securities broker engaged to buy or to sell securities on a centralized securities exchange market shall be registered by the stock exchange to the Competent Authority for its approval. The standards on the commission to

be charged to principals by a securities broker engaged to buy or to sell securities on markets other than a centralized securities exchange market shall be registered by the securities dealers association to the Competent Authority for its approval.

Article 86. A securities broker engaged by its principal to trade securities shall, in addition to preparing and delivering a trade report to its principal after completion of the transaction, also send a reconciliation statement to each of its principals at the end of each month. The particulars to be included in the trade report and the reconciliation statement referred to in the preceding paragraph shall be prescribed by the Competent Authority.

Article 87. Securities brokers shall provide a blank order form to their principals for the purpose of buying and selling securities.

The particulars to be included in the order form referred to in the preceding paragraph shall be prescribed by the Competent Authority.

Article 88. The documents referred to in paragraph 1 of Article 86, and paragraph 1 of Article 87 shall be kept at the business offices of the securities broker.

CHAPTER IV SECURITIES DEALERS ASSOCIATION

Article 89. A securities firm shall not commence to operate its business unless it is a member of a securities dealers association.

Article 90. The material contents of the articles of association of a securities dealers association and matters regarding the direction and supervision of its business shall be prescribed by the Competent Authority.

Article 91. In order to ensure fairness in securities transaction, or the protection of investor, where necessary, the Competent Authority may order a securities dealers association to amend its articles of association, bylaws, or resolutions, and also to provide reference materials and reports, or to perform any other acts.

Article 92. Where any directors or supervisors of a securities dealers association is found to have violated an act or regulation, was negligent in implementing the articles of association or bylaws, misused his/her authority, or acted against the principles of integrity and fair dealing, the Competent Authority may take corrective actions or order the securities dealers association to discharge such directors or supervisors.

CHAPTER V STOCK EXCHANGE

Section 1 General Provisions

Article 93. A special approval or permit or shall be obtained from the Competent Authority before the establishment of a stock exchange. The application procedures and other necessary matters shall be prescribed by the Competent Authority.

Article 94. A stock exchange may be organized in the form of either membership or company.

Article 95. The standards for the establishment of stock exchanges shall be prescribed by the Competent Authority.

Each stock exchange shall be limited to operating one centralized securities exchange market.

Article 96. Unless acting pursuant to this Act, no person shall engage in the operation of business similar to that of providing a centralized securities exchange market; this provision shall also apply to anyone which provides business premises or facilities for such proposes.

Article 97. The name of a stock exchange shall explicitly bear the words "'stock exchange." No person other than a stock exchange shall use names similar to that of a stock exchange.

The business of a stock exchange shall be to provide a centralized securities exchange market. A stock exchange shall not engage in nor invest in any other businesses without the approval of the Competent Authority.

Article 99. A stock exchange shall deposit an operation bond with the National Treasury, the amount of which shall be prescribed by the Competent Authority.

Article 100. The Competent Authority may revoke the special approval or permit of an established stock exchange if the stock exchange had made any false statement in its application or any document attached thereto, or has otherwise violated an act or regulation.

Article 101 (Deleted)

Article 102. Matters relating to the direction and supervision of the business operation of a stock exchange and the regulation of the responsible persons and associated persons shall be prescribed by the Competent Authority.

Section 2 Membership Stock Exchange

Article 103. A membership stock exchange is a juristic association formed for the non-profit purposes; in addition to the provisions of this Act, a membership stock exchange shall also be governed by the provisions of the Civil Code.

The membership of a stock exchange referred to in the preceding paragraph shall be limited to securities dealers and securities brokers.

Article 104. The number of memberships of a membership stock exchange shall be no less than seven.

Article 105. The articles of association of a membership stock exchange shall contain the following particulars:

1. objectives.
2. name.

3. location of the head office and the location of the centralized securities exchange market.

4. Matters concerning the eligibility for membership.

5. Matters concerning the number of memberships.

6. Matters concerning the discipline of members.

7. Matters concerning the membership contributions to the stock exchange.

8. Matters concerning the withdrawal from membership by a member.

9. Matters concerning the directors and the supervisors.

10. Matters concerning the meetings.

11. Matters concerning the settlement and clearing fund to be deposited by members.

12. Matters concerning the membership dues to meet operating expenses.

13. Matters concerning the performance of business operation.

14. Matters concerning the disposal of residual assets upon dissolution.

15. Matters concerning accounting.

16. Method of public announcement.

17. Any other matters as required by the Competent Authority.

Article 106 (deleted).

Article 107. A member may apply for withdrawal from membership in accordance with the articles of association or for any of the following reasons:

1. if the member has lost its membership qualifications.

2. if the corporate member dissolves or its company license is revoked.

3. if the member is expelled from the stock exchange.

A member shall deposit with the stock exchange a contribution to the settlement and clearing fund and pay securities transaction charges in accordance with the provisions of the articles of association.

Article 109. A member shall provide membership contribution in accordance with the provisions of the articles of association. Except for sharing the membership expenses in accordance with the provisions of the articles of association, its liability to the stock exchange shall be limited to the amount of its membership contribution.

Article 110. Where of any of its members commits the following acts, the membership stock exchange shall fine the member for breach of contract, and may warn, suspend or restrict such member from trading securities on its centralized securities exchange market, or may expel the member:

1. violated an act or regulation, or administrative disposition made pursuant thereto.

2. Violation of the articles of association, business bylaws, standards for executing commission contracts, or other bylaws of the stock exchange.

3. Violation of the principles of integrity and fair dealing in transactions, and the violation is sufficient to cause damage to others.

The provisions of the preceding paragraph shall be prescribed in the articles of association.

Article 111. Where a membership stock exchange expels any member pursuant to the preceding Article, such expulsion shall be reported to the Competent Authority for its approval; where the expulsions of the member is approved, the Competent Authority may revoke its special permit for securities businesses.

Article 112. Where any member withdraws from membership or is suspended from trading, the membership stock exchange shall, in accordance with the articles of association, require the said member or designate other members to wind up and settle its transactions effected on the centralized securities market; the member shall be deemed to have not withdrawn from membership or not suspended from trading to the extent and within the scope of winding up and settling the transactions. Where another member is designated to wind up the transactions in accordance with the preceding paragraph, a trust relationship is deemed to exist between the withdrawing member and the designated member to the extent and within the scope of winding up and settling the transactions.

Article 113. A membership stock exchange shall have at least three directors and one supervisor elected from among its members in accordance with the provisions of the articles of association; however, at least one third of the directors, and at least one supervisor, shall be elected from related experts who are non-members. The term of office of both directors and supervisors shall be three years; re-election shall be permissible.

The board of directors shall be formed by directors; the chairman of the board, who shall be a non-member director, shall be elected by a majority vote of the directors. The board chairman shall be a full-time executive officer; however, this restriction shall not apply if the stock exchange has assigned a managerial officer vested with full authority to take charge of operations.

Standards and regulations governing the election of non-member directors and supervisors as referred to in paragraph 1 shall be prescribed by the Competent Authority.

Article 114. The provisions of Article 53 shall apply mutatis mutandis to directors, supervisors, or managerial officers of a membership stock exchange. The violation of the provisions of the preceding paragraph by any directors, supervisors or managerial officers shall result in their automatic discharge.

Article 115. The directors, supervisors, or managerial officers of a membership stock exchange shall not serve concurrently as the director, supervisor, or managerial officer of another stock exchange.

Article 116. Representatives of member directors or supervisors, non-member directors, or any other employees of a membership stock exchange shall not, either for his own account or by commissioning others, purchase or sell securities in a centralized securities exchange market.

The persons referred to in the preceding paragraph shall be prohibited from providing funds to, sharing profits or losses with, or have any other business dealings or interests with members of the said stock exchange; however, this restriction shall not apply to persons who perform such acts on the behalf of the members they represent.

Article 117. In the event that the Competent Authority finds that the election of any director or supervisor of the stock exchange has irregularities, or if any director, supervisor or managerial officer has violated an act or regulation, the articles of association, or an administrative disposition issued pursuant to an act or regulation, the Competent Authority may notify the stock exchange to discharge such persons.

Article 118. Unless otherwise provided in this Act, the provisions of the Company Act relating to directors, supervisors or managerial officers shall apply mutatis mutandis to the directors, supervisors, or managerial officers of a membership stock exchange.

Article 119. With the exception of the following dispositions, a membership stock exchange shall not utilize the settlement and clearing fund in any manner unless otherwise approved by the Competent Authority:

1. The purchase of government bonds.
2. The deposit in banks, or saving deposits with the postal administration.

Article 120. The directors, supervisors, or employees of a membership stock exchange shall not disclose any confidential information relating to securities transactions.

Article 121. The provisions of this section relating to the directors and the supervisors of a membership stock exchange shall apply mutatis mutandis to the legal representatives of directors and supervisors of the members.

Article 122. A membership stock exchange may be dissolved upon the occurrence of any one of the following events:

1. occurrence of the events of dissolution specified in the articles of association.
2. Resolution of a meeting of members.
3. The number of memberships falls to less than seven.
4. bankruptcy.

5. Revocation of approval for the establishment of the stock exchange.

The resolution referred to in subparagraph 2 of the preceding paragraph shall not become effective without approval by the Competent Authority.

Article 123. The qualifications of, and the dismissal of associated persons employed by a membership stock exchange shall be governed mutatis mutandis by the provisions of Articles 54 and 56.

Section 3 Company-Type Stock Exchange

Article 124. The organization of a company-type stock exchange shall be limited to a company limited by shares.

Article 125. The articles of association of a company-type stock exchange shall contain, in addition to those required under the Company Act, the following particulars:

1. The total number of seats in the centralized securities exchange market for brokers and dealers and their necessary qualifications.

2. Duration of existence.

The duration of existence referred to in subparagraph 2 of the preceding paragraph shall not exceed a period of ten years; in the event the development of the local securities transactions warrants it, an application for extension may be filed with the Competent Authority during the period three months prior to the expiration of the duration of existence.

Article 126. Directors, supervisors, shareholders, or employees of a securities firm shall not serve concurrently as managerial officers of a company-type stock exchange. At least one-third of the directors and supervisors of a company-type stock exchange shall be appointed by the Competent Authority from among relevant experts who are not shareholders; the provisions of paragraph 1 of Article 192 and paragraph 1 of Article 216 of the Company Act shall not be applicable.

Standards and regulations governing the election of non-shareholder directors and supervisors as referred to in the preceding paragraph shall be prescribed by the Competent Authority.

Article 127. The stocks of a company-type stock exchange shall not be listed on its own centralized securities exchange market nor on a stock exchange owned by any other person.

Article 128. A company-type stock exchange shall not issue bearer stocks. Transferees of its shares shall be limited to the securities firms incorporated under this Act. The shareholding percentage of each securities firm in the stock exchange shall be prescribed by the Competent Authority.

Article 129. Securities brokers and dealers that engage in transactions on a company-type stock exchange shall enter into a contract with the stock exchange for the usage of the centralized securities exchange market; the

contract, together with other relevant materials shall be registered with the Competent Authority for its recordation.

Article 130. In addition to grounds for termination specified in the contract referred to in the preceding Article, such contract shall also be terminated upon the dissolution of either party, or the revocation of the approval or the suspension of business operation of a securities broker or dealer which is a party to the contract.

Article 131 (Deleted).

Article 132. The contract prepared by a company-type stock exchange for the usage of its centralized securities exchange market shall contain provisions regarding the deposit of the settlement and clearing fund and the securities transaction charges to be paid by the securities broker or dealer.

The standards governing the amount of settlement and clearing fund shall be prescribed by the Competent Authority.

The standards for calculating the securities transaction charges referred to in the first paragraph of this Article shall be jointly drafted by the stock exchange and the securities dealers association and filed with the Competent Authority for its approval.

Article 133. A company-type stock exchange shall specify in the contract that the violation of Article 110 by a securities broker or a securities dealer which trades on its centralized securities exchange market shall result in a fine for breach of contract, or the imposition of suspension or restriction of its trading rights, or the termination of the contract.

The provisions of Article 111 shall apply mutatis mutandis in the event a company-type stock exchange terminates its contract with a securities broker or dealer in accordance with the preceding Article.

Article 135. A company-type stock exchange shall consult with the provisions of Article 112 of this Act and include in the contract for the usage of its centralized securities exchange market provisions requiring that a securities broker or dealer designated to wind up or settle the transactions of other securities brokers or dealers shall have the obligation to fulfill that duty.

Article 136. A securities broker or dealer whose contract has been terminated or whose trading right was suspended pursuant to Article 133 shall have the obligation of winding up and settling its transactions in a centralized securities exchange market.

Article 137. The provisions of Articles 41 and 48, subparagraphs 1 through 4 and subparagraph 6 of Article 53, Articles 58, 59, 115, 117, 119 through 121, and 123 shall apply mutatis mutandis to a company-type stock exchange.

Section 4 Listing and Trading of Securities

Article 138. A stock exchange shall, in addition to setting various rules, specify in detail in either its business bylaws or operational rules the following particulars:

1. Public listing of securities.
2. Use of the centralized securities exchange market.
3. Trading orders of securities dealers or brokers.
4. Opening and closing of the market trading.
5. Types of transaction.
6. Procedures on the trading of securities and the manner of forming trading contracts by securities brokers or dealers.
7. Trading units.
8. Pricing units and the limits on the rise or fall in price.
9. Date and manner of clearing and settlement.
10. real-time disclosure of transaction information such as order quantity, price, matched transaction, etc. in connection with securities trading.
11. other matters related to trading.

The determination of matters prescribed in the preceding paragraph shall not violate any act or regulation. In matters affecting the interests of securities firms, prior opinion shall be solicited from the securities dealers association.

Article 139. An issuer of securities publicly issued under this Act may file an application with a stock exchange for its listing.

In a new issuance of stocks by a listed company, such new shares shall be traded on a stock exchange upon its delivery to the shareholders. The Competent Authority may, however, impose restriction on its trading on a stock exchange in case any of the items provided in paragraph 1 of Article 156 is applicable. Any company that lists new shares as referred to in the preceding paragraph shall forward the relevant documents to the stock exchange within ten days after the listing of new shares.

Article 140. A stock exchange shall adopt rules relating to the examination of securities for public listing and the contract for public listing and file such rules with the Competent Authority for its approval.

Article 141. A stock exchange shall enter into a contact for public listing of securities with the company listing the securities. The contents of the contract shall not contradict the provisions of the rules on contract for public listing, and such contracts shall be filed with the Competent Authority for recordation.

Securities publicly issued by an issuer shall be traded on the centralized securities exchange market of a stock exchange only after the issuer and the stock exchange have entered into the contract for public listing.

Article 143. The charges and fee for the listing of securities shall be specified in the contract for public listing. A stock exchange shall file a report on the determination of rate for charges and fee with the Competent Authority for its approval.

Article 144. A stock exchange may, pursuant to acts and regulations, or the provisions of the contact for public listing, terminate the public listing of securities, and such termination shall be filed with the Competent Authority for recordation.

Article 145. An issuer of securities publicly listed on a stock exchange may, pursuant to the provisions of the contact for public listing, file an application with the stock exchange to terminate its listing.

The stock exchange shall draft procedures for the handling of applications to terminate listings, and submit the procedures, and any subsequent amendments thereto, to the Competent Authority for approval.

Article 146 (Deleted).

Article 147. A stock exchange shall file a report with the Competent Authority for recordation in the event it suspends or reinstates the trading of listed securities pursuant to acts and regulations, the provisions of the contract for public listing, or for the protection of public interest. In the event an issuer of listed securities on a stock exchange is found to be in violation of this Act or rules and regulations promulgated hereunder, the Competent Authority may, for the purpose of protecting the public interest and the interest of investors, order the stock exchange to suspend the trading or terminate the listing of said securities.

Article 149. The listing of government bonds shall be effected by an order of the Competent Authority, and the listing requirements of this Act shall not be applicable.

Article 150. The trading of listed securities shall be conducted on a centralized securities exchange market operated by a stock exchange except in the following situations:

1. transactions in government bonds.
2. Due to the operation of an act or regulation, the transacting parties are unable to acquire or dispose the ownership of the securities through trading on the centralized securities market.
3. Direct private transfer of securities not in excess of one trading unit, and the interval between any two such transfers is not less than three months.
4. Other transactions in conformity with the regulations prescribed by the Competent Authority.

Article 151. Persons allowed to engage in transactions in a centralized securities exchange market shall be confined, in the case of a membership stock exchange, to members, and in the case of a company-type stock

exchange, to securities brokers and dealers that have entered into a contract for usage of the centralized securities exchange market.

Article 152. A stock exchange shall be required to file a report with the Competent Authority in the event the centralized securities exchange market is to be suspended due to events of force majeure; this provision shall also be applicable in the reopening of the market.

Article 153. In securities transactions undertaken by members of a stock exchange, or securities brokers or dealers in a stock exchange, if any one transacting party fails to fulfill its delivery obligation, the stock exchange shall designate other members or other securities brokers or dealers to deliver the securities in its place. The resultant price differences and the expenses incurred therefrom shall be indemnified by the settlement and clearing fund; in case the fund is insufficient, the stock exchange shall advance the payment and thereafter claim such compensation from the breaching party.

Article 154. A stock exchange may set aside a compensation reserve out of the fees charged from securities transaction to cover the payments specified in the preceding Article; the method of assessing the reserve, the rate of assessment, the conditions for suspension of the lodgment, and the method of custody and management of the reserve shall be prescribed by the Competent Authority. Claimants in cases arising from transactions on the centralized securities exchange market shall have preferential right to the securities clearing and settlement fund as specified in Article 108 and Article 132 in the following order of priority:

- the stock exchange.
- the principal in brokerage transactions.
- securities brokers or dealers.

In the event the securities clearing and settlement fund is insufficient to meet such claims, the unsatisfied portion of the claims may be compensated in accordance with the provisions of paragraph 2 of Article 55.

Article 155. The following actions with regard to securities publicly listed on a stock exchange shall be prohibited:

1. Toorder or report a trade on a centralized securities exchange market and to fail to perform settlement after the transaction is made, where such act is sufficient to affect the market order.
2. (Deleted)
3. To conspire with other parties in a scheme such that the first party buys or sells designated securities at an agreed price, while the second party sells or buys from the first party in same transaction, with the intent to inflate or deflate the trading prices of said securities on the centralized securities exchange market.

4. To continuously buy at high prices or sell at low prices designated securities for his own account or under the names of other parties with the intent to inflate or deflate the trading prices on said securities traded on the centralized securities exchange market.

5. To continuously order or report a series of trades under one's own account or under the names of other parties, and to complete the corresponding transactions with the intent of creating an impression on the centralized securities exchange market of brisk trading in a particular security.

6. To spread rumors or false information with the intent to influence the trading prices of designated securities traded on the centralized securities exchange market.

7. To perform directly or indirectly any other manipulative acts to influence the trading prices of securities traded on the centralized securities exchange market. The provisions of the preceding paragraph shall apply mutatis mutandis to transactions conducted on the over-the-counter markets.

Persons who violate the preceding two paragraphs shall be held liable to compensate the damages suffered by the bona fide purchasers or sellers of the said securities. The provisions of paragraph 4 of Article 20 of this Act shall apply mutatis mutandis to the preceding paragraph.

Article 156. Given the occurrence of any of the following events, the Competent Authority may issue an order suspending the trading of designated securities completely or partially, or restricting the trade by brokers and dealers in such securities, when there is a likelihood that the event will affect the market trading order or be prejudicial to the public interest:

1. The company issuing the securities becomes involved in litigation or other non-litigious matters which is sufficient to result in its dissolution, or changes in its corporate organization, capital, business plan, financial condition, or suspension of production.

2. The company issuing the securities becomes involved in major disasters, signed major agreements, confronted with special circumstances, initiated major changes in its business plan, or had its checks dishonored, the result of which is sufficient to result in a significant material change in the financial condition of the company

3. The company issuing the securities engages in deceptive, dishonest, or illegal practices, the result of which is sufficient to affect the prices of its securities.

4. The market price of the securities has undergone continuous, major rises or declines, resulting in abnormal fluctuations in the prices of other securities.

5. Other events of material significance.

Article 157. In the event that any director, supervisor, managerial officer, or shareholder holding more than ten percent of the shares of a company sells the listed securities within six 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 under the preceding paragraph on behalf of the company, its shareholders may request the directors or the supervisors to exercise the right of claim within thirty 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 provided under paragraph 1 of this Article.

The right of claim specified in paragraph 1 of this Article shall be extinguished if not exercised within two years after the date on which the profit is realized. The provisions of paragraph 3 of Article 22-2 hereof shall apply mutatis mutandis to paragraph 1 of this Article.

This Article shall apply mutatis mutandis to other securities with the nature of equity shares issued by a company.

Article 157-1. Upon actually knowing 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 equity-type security of the company:

1. A director, supervisor, and/or managerial officer of the company, and/or a natural person designated to exercise powers as representative pursuant to Article 27, paragraph 1 of the Company Act.
2. Shareholders holding more than ten percent of the shares of the company.
3. Any person who has learned the information by reason of occupational or controlling relationship.
4. 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.
5. Any person who has learned the information from any of the persons named in the preceding four subparagraphs.

Upon actually knowing 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 non-equity-type corporate bonds of such company that are listed on an exchange or an over-the-counter market: Persons in violation of the provisions of paragraph 1 or the preceding paragraph 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 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. The persons referred to in subparagraph 5 of paragraph 1 shall be held jointly and severally liable with the persons referred to in subparagraphs 1 through 4 of paragraph 1 who provided the information for the damages referred to in the preceding paragraph. However, where the persons referred to in subparagraphs 1 through 4 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. 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.

Regulations governing the scope of information 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.

The provisions of paragraph 3 of Article 22-2 shall apply mutatis mutandis to subparagraphs 1 and 2 of paragraph 1 of this Article; the same shall apply with respect to those who have lost the identity [set out in those provisions] for a period of less than a full six months. The provisions of paragraph 4 of Article 20 shall apply mutatis mutandis to the trading counterpart referred to in paragraph 2 of this Article.

Section 5 Securities Brokerage Transactions

Article 158. Brokerage contracts between a securities broker and its customers for transactions to be effected on a centralized securities exchange

market shall be prepared in accordance with the form of the standard brokerage contract prescribed by the stock exchange.

The material aspects of the standard brokerage contract referred to in the preceding paragraph shall be prescribed by the Competent Authority.

Article 159. A securities broker shall not accept any full authorization that allows him/her to determine the type, the number, or the price of securities to be bought or sold on the behalf of the principal.

Article 160. A securities broker shall not accept orders for the purchase or sale of securities in premises other than its principal place of business and its branch units.

Section 6 Supervision

Article 161. In order to protect the public interest and the interest of investors, the Competent Authority may order a stock exchange to amend its articles of association/incorporation, business rules, bylaws, rules regarding brokerage contracts, and any other rules; the Competent Authority may also suspend, enjoin, amend, or repeal the resolutions or dispositions issued by the stock exchange.

Article 162. The provisions of Article 64 shall apply mutatis mutandis to the inspection of the stock exchange and orders to furnish information issued by the Competent Authority.

Article 163. Where a stock exchange takes any action in violation of an act or regulation or an administrative disposition issued pursuant to an act or regulation, or takes any other action detrimental to the public interest or disturbs the social order, the Competent Authority may impose any of the following dispositions:

1. The dissolution of the stock exchange.
2. The suspension or the termination of the complete or partial business of a stock exchange; provided, however, that such suspension does not exceed three months.
3. The issuance of orders to the stock exchange to discharge its directors, supervisors, or managerial officers.
4. The issuance of corrective orders.
5. In the event that the Competent Authority is to impose any dispositions specified in subparagraphs 1 or 2, advance approval of such disposition from the Executive Yuan shall be required.

Article 164. The Competent Authority may station supervisory personnel at each of the stock exchanges; regulations governing such supervision shall be prescribed by the Competent Authority.

Article 165. The stock exchange, its members, and securities brokers and dealers which have contracted for the usage of the centralized securities

exchange market of the stock exchange shall comply with the directions given by the supervisory personnel pursuant to acts or regulations.

CHAPTER V-1 FOREIGN COMPANIES

Article 165-1. When stock issued by a foreign company has been approved for the first time by the stock exchange or over-the-counter securities exchange for listed trading on the stock exchange or over-the-counter market or for registration as emerging stock, if the issuer's stock is not traded on a foreign securities exchange, then, unless otherwise provided by the Competent Authority, the provisions of Articles 5 to 8, Articles 13 to 14-1, Article 14-2, paragraphs 1 to 3, and 5, Article 14-3, Article 14-4, paragraphs 1, 2, 5, and 6, Article 14-5, Articles 19 to 21, Articles 22 to 25-1, Article 26-3, Article 27, Article 28-1, paragraphs 2 to 4, Article 28-2, Articles 28-4 to 32, Article 33, paragraphs 1, and 2, Articles 35 to 43-8, Article 61, Article 139, Articles 141 to 145, Article 147, Article 148, Article 150, and Articles 155 to 157-1 shall apply mutatis mutandis to the management and supervision of the public offering, issuance, private placement, and trading of the securities.

Article 165-2. When stock or securities representing stock issued by a foreign company other than under the preceding article is already traded on a foreign securities exchange, or the securities of a branch unit of a foreign financial institution or subsidiary of a foreign company meeting the requirements prescribed by the Competent Authority have been approved by the stock exchange or over-the-counter securities exchange for listed trading on the stock exchange or over-the-counter market, then, unless otherwise provided by the Competent Authority, the provisions of Articles 5 to 8, Article 13, Article 14, paragraphs 1 and 3, Articles 19 to 21, Article 22, Article 23, Articles 29 to 32, Article 33, paragraphs 1 and 2, Article 35, Article 36, paragraphs 1 to 6, Articles 38 to 40, Article 42, Article 43, Article 43-1, paragraphs 2 to 4, Articles 43-2 to 43-5, Article 61, Article 139, Articles 141 to 145, Article 147, Article 148, Article 150, and Articles 155 to 157-1 shall apply mutatis mutandis to the management and supervision of the public offering, issuance, and trading of the securities in the Republic of China.

Article 165-3. A foreign company shall designate a representative within the territory of the Republic of China to represent the company in litigious and non-litigious matters under this Act, and to serve as its responsible person under this Act in the Republic of China. The representative under the preceding paragraph shall have a domicile or residence within the territory of the Republic of China.

The foreign company shall file the name, domicile or residence, and power of attorney of the representative under paragraph 1 with the

Competent Authority, and shall do the same in the event of any change thereto.

CHAPTER VI ARBITRATION

Article 166. Parties to any dispute arising under securities transactions executed pursuant to this Act may, pursuant to their agreement, resolve their disputes by arbitration. Any disputes arising between the stock exchange and securities firms, or between securities firms shall be resolved by arbitration regardless whether there is an agreement to arbitration between the parties.

Unless otherwise provided under this Act, the arbitration referred to in the proceeding two paragraphs shall be governed by the Arbitration Act.

Article 167. In the event a party to a dispute files any legal action in violation of the provisions of the preceding paragraph, the other party may petition the court to dismiss such actions.

Article 168. In the event the arbitrators appointed by the parties to a dispute fail to select another arbitrator as provided by their agreement, the Competent Authority may appoint the arbitrator upon request of the parties or on its own authority.

Article 169. Except where an action is commenced to set aside an arbitral award pursuant to Article 40 of the Arbitration Act, the Competent Authority may order the suspension of the business of a securities firm if the said securities firm fails to comply or delays in complying with the arbitral award or the settlement reached in accordance with Article 44 of the Arbitration Act.

Article 170. The securities dealers association and the stock exchange shall specify in its articles of association/incorporation or its bylaws provisions relating to arbitration. Such provisions shall not be in conflict with this Act and the Arbitration Act.

CHAPTER VII PENAL PROVISIONS

Article 171. A person who has committed any of the following offenses shall be punished with imprisonment for not less than three years and not more than ten years, and in addition thereto, a fine of not less than NT$10 million and not more than NT$200 million may be imposed:

1. A person who has violated the provisions of paragraph 1 or paragraph 2 of Article 20, paragraph 1 or paragraph 2 of Article 155, or paragraph 1 or 2 of Article 157-1.

2. A director, supervisor, managerial officer or employee of an issuer under this Act who, directly or indirectly, causes the company to conduct transactions to its disadvantage and not in the normal course of operation, thus causing substantial damage to the company.

3. A director, supervisor, or managerial officer of an issuer under this Act who, with intent to procure a benefit for himself/herself or for a third person, acts contrary to his/her duties or misappropriates company assets, thus causing damage of NT$5 million or more to the company.

Where the amount gained by the commission of an offense under the preceding paragraph is NT$100 million or more, a sentence of imprisonment for not less than seven years shall be imposed, and in addition thereto a fine of not less than NT$25 million and not more than NT$500 million may be imposed. A person who commits an offense under paragraph 1, subparagraph 3, causing damage of less than NT$5 million to the company, shall be punished under Articles 336 and 342 of the Criminal Code.

A person who commits an offense under the preceding 3 paragraphs and subsequently voluntarily surrenders himself/herself, if there is criminal gain and he/she voluntarily hands over the gained assets in full, shall have his/her punishment reduced or remitted. Where another principal offender or an accomplice is captured as a result, the punishment shall be remitted.

A person who commits an offense under paragraphs 1 to 3 and confesses during the prosecutorial investigation, if there is criminal gain and he/she voluntarily hands over the gained assets in full, shall have his/her punishment reduced. Where another principal offender or an accomplice is captured as a result, the punishment shall be reduced by one-half.

Where the criminal benefit gained by a person through commission of an offense under paragraph 1 or 2 exceeds the maximum amount of the criminal fine, the fine may be increased within the scope of the benefit gained; if the stability of the securities market is harmed, the punishment shall be increased by one-half. Any property or property interest obtained from the commission of a crime by an offender committing an offense under paragraphs 1 to 3, other than that which shall be returned to a victim or a third party or from which damages shall be borne, shall be confiscated within the extent that it belongs to the offender. If the whole or a part of such property or property interest cannot be confiscated, the value thereof shall be

indemnified either by demanding a payment from the offender or by offsetting such value with the property of the offender.

A person who violates Article 20, paragraph 1 or 2, Article 155, paragraph 1 or 2, or Article 157-1, paragraph 1 or 2, as applied mutatis mutandis under Article 165-1 or 165-2, shall be punished under the provisions of paragraph 1, subparagraph 1, and of paragraph 2 to the preceding paragraph.

The provisions of paragraph 1, subparagraphs 2 and 3, and paragraphs 2 to 7 shall apply to the directors, supervisors, managerial officers, or employees of a foreign company.

Article 172. Any director, supervisor, or employee of a stock exchange who demands, agrees to accept or accepts any improper benefit in connection with the performance of his/her duties shall be punished with imprisonment for not more than five years, detention, and/or a fine of not more than NT$2.4 million.

Any person referred to in the preceding paragraph who demands, agrees to accept or accepts any improper benefits for actions in breach of his/her duties shall be punished with imprisonment for not more than seven years and in addition thereto a fine of not more than NT$3 million may be imposed.

Any benefits received by persons who committed the offenses specified in the preceding two paragraphs shall be confiscated. If the whole or part of such benefits cannot be confiscated, the value thereof shall be collected from the offender.

Article 173. Any person who promises to offer, agrees to offer, or delivers any improper benefits to any person who acts contrary to his/her duty as specified in the preceding Article shall be punished with imprisonment for not more than three years, detention, and/or a fine of not more than NT$1.8 million.

The punishment of the offense specified in the preceding paragraph may be pardoned if the offender voluntarily surrenders himself/herself to law enforcement authorities.

Article 174. A person who commits any of the following offenses shall be punished with imprisonment for not less than one year and not more than seven years and in addition thereto a fine of not more than NT$20 million may be imposed:

1. The making of false statements on the application materials required under Article 30, Article 44, paragraphs 1 to 3, or Article 93, or Article 30 as applied mutatis mutandis under Article 165-1 or 165-2, of this Act.

2. The making and dissemination to the public of false information with regard to the market value of securities, or with regard to the material aspects of the approved public offering.

3. The violation of paragraph 1 of Article 32 by an issuer, its responsible persons or employees, and the provision of paragraph 2 of the same Article does not apply.

4. The making of false statements on the account books, forms/statements, documents, or other reference or report materials produced by any issuer or public tender offeror or related party thereof, securities firm or its principals, securities dealers association, stock exchange, or any other enterprises referred to in Article 18 pursuant to an order of the Competent Authority to produce such materials.

5. The making of false statements on the account books, forms/statements, vouchers, financial reports or any other business documents by any issuer, public tender offeror, securities firm, securities dealers association, stock exchange, or any other enterprises referred to in Article 18, as required to be produced in compliance with acts or regulations, or orders prescribed by the Competent Authority pursuant thereto.

6. The making of false statements in the content of a financial report under the preceding subparagraph by a managerial officer or accounting officer who signs or chops the financial report; provided, the punishment may be reduced or remitted if the person has submitted a corrective opinion and provided evidence in a report to the Competent Authority before the Competent Authority or a judicial agency has commenced an investigation [ex officio or] upon a complaint filed by another person.

7. The making of any investment advice relating to an issuer or specific securities transactions which was based on false information and disseminating the said advice on any newspapers and magazines, written materials, broadcasts, films or by other means.

8. The loaning of company funds to another person, using company assets to provide security or a guarantee for another person, or endorsing of a negotiable instrument by a director, managerial officer, or employee of an issuer in violation of an act or regulation, or the articles of incorporation, or beyond the scope authorized by the board of directors, causing substantial damage to the company. 9.counterfeiting, altering, destroying, concealing, or obscuring working papers or relevant records or documents with intent to impede inspection by the Competent Authority or investigation by a judicial agency.

A person who commits any of the following offenses shall be punished with imprisonment for not more than five years, or a fine of not more than NT$15 million may be imposed [in lieu thereof] or in addition thereto:

1. issuance of a false or untrue opinion by a lawyer regarding any contract, report, or document of the company or foreign company related to securities offering, issuance, or trading.

2. failure by a certified public account to faithfully fulfill his or her audit duties and issue a report or opinion with respect to any material falsehood or error in a financial report, document, or information reported or published by a company or foreign company; or failure by a certified public accountant to expressly state a material falsehood or error in a company or foreign company financial report due to failure to audit in accordance with applicable laws and regulations and generally accepted audit principles.

3. violation of Article 22, paragraphs 1 to 3.

Where the commission of an offense under the preceding paragraph materially affects shareholders' equity or harms the stability of the securities market, the punishment may be increased by one-half.

Where a personnel member or employee of an issuer commits an offense in subparagraph 6 of paragraph 1, and the offense is slight, the punishment may be reduced.

The Competent Authority shall render a disposition suspending attestation work by a certified public accountant who violates subparagraph 2 of paragraph 2. If a foreign company is the issuer, any violation of paragraph 1, subparagraphs 1 to 9 by the foreign company or a director, managerial officer, employee, or accounting officer of the foreign company shall be punished under paragraphs 1 and 4. A person who violates Article 22 as applied mutatis mutandis under Article 165-1 or 165-2 shall be punished under paragraphs 2 and 3.

Article 174-1. When a director, supervisor, managerial officer, or employee of a company with securities issued pursuant to this Act commits a gratuitous act as set forth in Article 171, paragraph 1, subparagraphs 2 or 3 or paragraph 1, subparagraph 8 of the preceding Article prejudicial to the rights and interests of the issuer, the issuer may petition a court for voidance of the act.

If, at the time of commission of a non-gratuitous act by a director, supervisor, managerial officer, or employee of a company as referred to in the preceding paragraph, such person knew the act to be prejudicial to the rights and interests of the issuer, where the beneficiary of the act also knew of that circumstance at the time of receiving the benefits, the issuer may petition a court for voidance of the act. When an application is made to a court for voidance pursuant to either of the two preceding paragraphs, the court may also be petitioned to order the beneficiary of the act or a party to whom benefits were transferred to restore the status quo ante, provided that this shall not apply where the party to whom the benefit was transferred was not aware of a cause for voidance at the time of the transfer. Any disposition of property between a director, supervisor, managerial officer, or employee as referred to in paragraph 1 and such a person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a gratuitous act.

Any disposition of property between a director, supervisor, managerial officer, or employee as referred to in paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a gratuitous act. The right to voidance under paragraphs 1 and 2 shall be extinguished if not exercised within one year after the time the company learns there is cause for voidance, or ten years after the time of the act.

The provisions of the preceding 6 paragraphs shall apply to the directors, supervisors, managerial officers or employees of a foreign company.

Article 174-2. The crimes set forth in Article 171, paragraph 1, subparagraphs 2 and 3, and paragraph 1, subparagraphs 2 and 3 as applied under paragraph 9, and Article 174, paragraph 1, subparagraph 8, and paragraph 1, subparagraph 8 as applied under paragraph 6, are serious crimes as defined in Article 3, paragraph 1 of the Money Laundering Control Act and the relevant provisions of the Money Laundering Control Act shall apply.

Article 175. A person who violates the provisions of paragraph 1 of Article 18, A paragraph 1 of Article 28-2, paragraph 1 of Article 43, paragraph 3 of Article 43-1, paragraphs 2 and 3 of Article 43-5, paragraph 1 of Article 43-6, paragraphs 1 through 3 of Article 44, paragraph 1 of Article 60, paragraph 1 of Article 62, Article 93, Articles 96 through 98, Article 116, Article 120, or Article 160 shall be punished with imprisonment for not more than two years, detention, and/or a fine of not more than NT$1.8 million. A person who violates Article 43, paragraph 1, Article 43-1, paragraph 3, Article 43-5, paragraphs 2 and 3, as applied mutatis mutandis under Articles 165-1 or 165-2, or violates Article 28-2, paragraph 1 or Article 43-6, paragraph 1, as applied mutatis mutandis under Article 165-1, shall be punished under the preceding paragraph. A person who conducts a public tender offer without prior public announcement in violation of Article 43-1, paragraph 2, or who conducts a public tender offer without prior public announcement in violation of Article 43-1, paragraph 2 as applied mutatis mutandis under Article 165-1 or 165-2, shall be punished under paragraph 1.

Article 176 (Deleted).

Article 177.

A person who violates Article 34, Article 40, Article 43-8, paragraph 1, Article 45, Article 46, Article 50, paragraph 2, Article 119, Article 150 or Article 165 shall be punished with imprisonment for not more than one year, detention, and/or a fine of not more than NT$1.2 million.A person who violates Article 40 or 150 as applied mutatis mutandis under Article 165-1 or 165-2, or Article 43-8, paragraph 1 as applied mutatis mutandis under Article 165-1, shall be punished under the preceding paragraph.

Article 177-1. Any person who violates the provisions of Article 74 or Article 84 shall be fined an amount not greater than the purchase price of the acquired securities. However, the fine imposed shall not be less than NT$120,000.

Article 178. A person who commits any of the following offenses shall be punished with an administrative fine of not less than NT$240,000 and not more than NT$2.4 million: [Violation of the provisions of Article 22-2,

paragraph 1 or 2, Article 26-1, Article 141, Article 144, Article 145, paragraph 2, Article 147, or Article 152; or Article 141, Article 144, Article 145, paragraph 2, or Article 147 as applied mutatis mutandis under Article 165-1 or 165-2; or Article 22-2, paragraph 1 or 2 as applied mutatis mutandis under Article 165-1.

1. Violation of the provisions of Article 14, paragraph 3, Article 14-1, paragraph 1 or 3, Article 14-2, paragraph 1 or 5, Article 14-3, Article 14-4, paragraph 1 or 2, Article 14-5, paragraph 1 or 2, Article 21-1, paragraph 5, Article 25, paragraph 1, 2, or 4, Article 26-3, paragraph 1 or 7, Article 31, paragraph 1, Article 36, paragraph 5 or 7, Article 41, Article 43-1, paragraph 1, Article 43-4, paragraph 1, Article 43-6, paragraphs 5 to 7, Article 58, Article 61, Article 69, paragraph 1, Article 79, or Article 159; or Article 14, paragraph 3, Article 31, paragraph 1, Article 36, paragraph 5, Article 43-4, paragraph 1, or Article 61, as applied mutatis mutandis under Article 165-1 or 165-2; or Article 14-1, paragraph 1 or 3, Article 14-2, paragraph 1 or 5, Article 14-3, Article 14-4, paragraph 1 or 2, Article 14-5, paragraph 1 or 2, Article 25, paragraph 1, 2, or 4, Article 26-3, paragraph 1 or 7, Article 36, paragraph 7, Article 41, Article 43-1, paragraph 1, Article 43-6, paragraphs 5 to 7, as applied mutatis mutandis under Article 165-1.

2. An issuer or public tender offeror or a related party thereof, a securities firm or a principal thereof, a securities dealers association, a stock exchange, or any other enterprise referred to in paragraph 1 of Article 18 fails to submit account books, forms/statements, documents, or other reference or report materials within the time period specified in this Act or in an order issued by the Competent Authority pursuant to this Act, or any of the above parties refuses, impedes, or evades an examination carried out by the Competent Authority.

3. If any issuer, public tender offeror, securities firm, securities dealers association, stock exchange, or any other enterprise referred to in Article 18, paragraph 1 fails to comply with relevant rules in the preparation, submission, public announcement, maintenance, or storage of the account books, forms/statements, vouchers, financial reports or other relevant business documents as required by this Act, or as required by orders issued by the Competent Authority pursuant to this Act.

4. Violation of rules prescribed by the Competent Authority in accordance with Article 25-1 regarding the qualifications of proxy solicitors, proxy agents, or those handling proxy solicitation matters, the methods of solicitation or acquisition of proxy forms, corporate compliance matters in connection with the convening of shareholder meetings, or refusal to comply with a requirement by the Competent Authority for provision of information, or Article 25-1 as applied mutatis mutandis under Article 165-1.

5. Violation of the shareholding percentage requirements of directors and supervisors of publicly issued companies 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.

6. Violation of the provisions of Article 26-3, paragraph 8 by failing to formulate rules for the conduct of directors meetings, or violating the regulations prescribed by the Competent Authority pursuant to the same article and paragraph governing the content of deliberations, procedures, matters to be recorded in the meeting minutes, and public announcement, or violation of the rules issued by the Competent Authority pursuant to Article 36-1 regarding the scope, working procedures, required public announcements, and required filings for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, endorsements or guarantees for others, and disclosure of financial forecast information, or violation of Article 26-3, paragraph 8 or Article 36-1 as applied mutatis mutandis under Article 165-1.

7. Violation of the provisions of Article 28-2, paragraphs 2 or 4 to 7 or the matters prescribed by the Competent Authority in accordance with Article 28-2, paragraph 3 regarding procedures, prices, volumes, methods, methods of transfer, and matters that must be filed and publicly announced in relation to repurchase of shares, or violation of Article 28-2, paragraphs 2 to 7 as applied mutatis mutandis under Article 165-1.

8. Violation of the provisions of Article 43-2, paragraph 1, Article 43-3, paragraph 1, or Article 43-5, paragraph 1, or regulations prescribed by the Competent Authority in accordance with Article 43-1, paragraph 4 regarding the scope, conditions, period, related parties, and particulars for filing and public announcement in connection with purchases of securities, or violation of Article 43-1, paragraph 4, Article 43-2, paragraph 1, Article 43-3, paragraph 1, or Article 43-5, paragraph 1, as applied mutatis mutandis under Article 165-1 or 165-2.

Where a person who has committed any of the offenses referred to in subparagraphs 2 through 7 of the preceding paragraph, the Competent Authority shall, in addition to imposing an administrative fine, order the person to comply within a prescribed time period; where the person fails to comply within the specified period, the Competent Authority may order a new period for compliance and impose additional administrative fines of not less than NT$480,000 and not more than NT$4.8 million for each successive failure to comply until corrective action has been taken. A reward shall be offered for the report of a violation of Article 25-1 that leads to successful

discovery of a violation; regulations governing such reward shall be prescribed by the Competent Authority.

When a foreign company is the issuer, any violation of paragraph 1, subparagraphs 3 or 4 by the foreign company shall be punished under paragraphs 1 and 2.

Article 179. If a juristic person violates the provisions of this Act, the individual person responsible for the act will be punished under the articles of this chapter . If a foreign company violates the provisions of this Act, the individual person responsible for the act will be punished under the articles of this chapter.

Article 180 (Deleted).

Article 180-1. Where a fine assessed for an offense under this Chapter is NT$50 million or more and the offender lacks the ability to pay it in full, it shall be commuted to labor for a period of not more than two years, to be calculated by the ratio of the total amount of the fine to the number of days in two years; where the fine assessed is NT$100 million or more and the offender lacks the ability to pay it in full, it shall be commuted to labor for a period of not more than three years, to be calculated by the ratio of the total amount of the fine to the number of days in three years.

CHAPTER VIII SUPPLEMENTARY PROVISIONS

Article 181. Corporate shares or corporate bonds publicly issued under the Administrative Rules of Securities Firms prior to the effective date of this Act shall be deemed as having been publicly issued under this Act.

Article 181-1. A court may establish a specialized division or designate a specific person(s) to try criminal cases involving violation of this Act.

Article 181-2. A requirement by the Competent Authority for the establishment of independent directors pursuant to the proviso of Article 14-2, paragraph 1, or its ordering of the establishment of an audit committee pursuant to the proviso of Article 14-4, paragraph 1, or the ipso facto dismissal of a director or supervisor pursuant to Article 26-3, paragraph 6 during the enforcement of Article 26-3 may be applied from the time of expiration of the term currently being served by the directors or supervisors.

Article 182 (Deleted).

Article 182-1. The Enforcement Rules of this Act shall be prescribed by the Competent Authority.

Article 183. This Act shall be enforced from the date of promulgation, with the exception of Article 54, Article 95, and Article 128, which were amended and promulgated on 19 July 2000 and enforced from 15 January 2001, Articles 14-2 through 14-5 and Article 26-3, which were amended on 20 December 2005 and enforced from 1 January 2007, the articles amended on 5 May 2006, which are enforced from 1 July 2006, the articles amended

on 26 May 2009, which are enforced from 23 November 2009, Article 36 amended on 4 May 2010, which is enforced from 1 January 2012, and Article 36, paragraph 1, subparagraph 2 amended 12 December 2011, which is enforced from the accounting year of 2013.

THE BANKING ACT OF THE REPUBLIC OF CHINA
(銀行法)

Amended Date 2014.06.04

Category Financial Supervisory Commission (金融监督管理委員會)

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose). This Act is enacted to improve the conduct of the banking business, to protect the rights of depositors, to coordinate with the development of productive enterprises and to keep Bank credit abreast of national financial policy.

Article 2. (Definition of Bank). The term, "Bank", as used in this Act shall mean an organization formed and registered in accordance with the provisions of this Act for purposes of transacting a banking business.

Article 3. (Scope of Business of Banks). Businesses which may be conducted by a Bank are as follows:

1. To accept Checking Deposits;
2. To accept various kinds of other Deposits;
3. To manage Trust Funds under mandate;
4. To issue Bank Debentures;
5. To extend loans;
6. To discount bills and notes;
7. To invest in securities;
8. To invest in productive enterprises;
9. To invest in residential construction and construction for business purposes;
10. To handle domestic and foreign remittances;
11. To accept commercial drafts;
12. To issue Letters of Credit;
13. To guarantee domestic and foreign transactions;
14. To act as collecting and paying agent;
15. To underwrite and trade in securities for its own account or for customers;
16. To manage issuance of bonds and debentures and to provide advisory services with respect thereto;
17. To act as attestor for the issuance of stocks, bonds and debentures;
18. To manage various kinds of property under mandate;
19. To conduct businesses related to investment and trusts regarding securities;

20. To buy and sell gold bars/coins and/or silver bars/coins and foreign currencies;

21. To conduct warehousing, custody and agency businesses in relation to the businesses itemized above; and

22. To conduct other relevant businesses which may be authorized by the Central Competent Authority.

Article 4. (Authority Over Scope of Business Issues). The scope of business of each Bank shall be determined individually by the Central Competent Authority in accordance with the classification of the Bank and the items of business specified in this Act, and shall be indicated on the Business License of each such Bank.

However, transactions relating to foreign exchange must be approved by the Central Bank of China.

Article 5. (Term of Credit). Credit extended by a Bank under this Act shall be called short-term credit if such credit matures within not more than one (1) year; medium-term credit if such credit matures in more than one (1) year and not more than seven (7) years; and long-term credit if such credit matures in more than seven (7) years.

Article 5-1. (Definition of Accepting Deposits). The term, "Accept(ing) Deposits", as used in this Act shall mean the act of accepting Deposits or other funds from the general public2, and agreeing to return the principal or to pay an amount equal to or greater than the principal.

Article 5-2. (Definition of Extend(ing) Credit). The term, "Extend(ing) Credit", as used in this Act shall mean the following business conducted by a Bank:

a. Extending loans;
a. Extending over draft facilities;
b. Discounting bills and notes;
c. Extending guarantees;
d. Accepting drafts; and
e. Other business as specified by the Central Competent Authority.

Article 6. (Definition of Checking Deposit). The term, "Checking Deposit", as used in this Act shall mean a Deposit which, as agreed, may be drawn at any time without interest by use of a check signed by the depositor or by use of automatic equipment under mandate.

Article 7. (Definition of Demand Deposit). The term, "Demand Deposit", as used in this Act shall mean a Deposit which can be drawn by the depositor at any time by use of a passbook or by other agreed means.

Article 8. (Definition of Time Deposit). The term, "Time Deposit", as used in this Act shall mean a Deposit of a fixed term which can be drawn by the depositor upon maturity by presentation of a Deposit certificate or by other agreed means.

Article 8-1. (Termination and Pledge of Time Deposits). Time Deposits shall not be withdrawn before maturity, provided, that the depositor may pledge a time deposit or terminate a time deposit by giving seven (7) days prior notice to the Bank.

Rules governing the pledge and early-termination of time deposits shall be prescribed by the Competent Authority after consulting with Central Bank of China.

Article 9. (Definition of Savings Deposit). Deleted

Article 10. (Definition of Trust Funds). The term, "Trust Funds", as used in this Act shall mean funds which are received by a Bank in the position of trustee and managed in accordance with the terms of a trust agreement for the interest of a beneficiary named by the trustor.

Article 11. (Definition of Bank Debentures). The term, "Bank Debentures", as used in this Act shall mean bonds/debentures issued by a Bank in accordance with the relevant provisions of this Act, after having obtained the approval of the Central Competent Authority, to provide funding for the extension by such Bank of medium-term and/or long-term credit.

Article 12. (Definition of Secured Credit). The term, "Secured Credit", as used in this Act shall mean the following collateral has been furnished to secure such credit:

a. Mortgage over immovables or movables;

b. Pledge over movables or rights;

c. Bills/Notes receivable from business transactions of a borrower; and/or

d. Guarantees extended by a government agency in charge of the public treasury, a Bank or a government authorized credit agency.

Article 12-1. (Limitation on Guarantees). In extending self-use residence loans or consumer loans, the Bank shall not require provision of joint and several guarantor(s) for whatsoever reasons. In extending self-use residence loans or consumer loans, if the Bank has obtained sufficient collateral in accordance with the preceding Article, the Bank shall not require provision of guarantor(s) for whatsoever reasons. Subject to the preceding paragraph, if a guarantor is required by the Bank in connection with a credit extension, the guarantee shall be in a specific amount. In seeking recovery, the Bank should first pursue the borrower and then pursue the guarantor(s) for the remaining portion on a pro-rata basis; provided, that such shall not apply to applications for execution title or in the provisional proceedings.

Article 12-2. In terms of guaranty for a self-use residence loan or consumer loan, the duration of the contract of guaranty shall not exceed

fifteen years from the date of formation of the contract, unless written consent of the guarantor has been obtained.

Article 13. (Definition of Unsecured Credit). The term, "Unsecured Credit", as used in this Act shall mean a credit extended without having obtained any of the collateral listed in the preceding Article.

Article 14. (Definition of Medium-or Long-term Loan Repayable in Installments) The term, "Medium-or Long-term Loan Repayable in Installments", as used in this Act shall mean a loan extended by a Bank, the principal and interest on which shall be repayable and payable in installments in accordance with the terms of a loan agreement and other relevant terms to be observed by the borrower determined based on negotiations between the parties and the financial ability of the borrower to make repayment.

Article 15. (Definition of Commercial Negotiable Instrument). The term, "Commercial Negotiable Instrument", as used in this Act shall mean a bill of exchange or promissory note issued in connection with domestic or foreign trade in goods or services.

An aforesaid bill of exchange on which the recipient of the goods sold or services provided is named as payor and which has been accepted by such recipient, shall be called a trade or commercial acceptance.

In cases where the aforesaid recipient mandates a Bank as the payor and the bill of exchange is accepted by the Bank, such bill of exchange shall become a banker's acceptance. In cases where a person, who sells goods or provides services, signs and issues a bill of exchange in an amount based on transaction documents and on which a Bank is mandated as the payor and such bill of exchange is accepted by such Bank, such bill of exchange shall also be called a banker's acceptance. Purchase of a post-dated bill of exchange or promissory note by a Bank by means of deducting non-accrued interest in advance shall be called a discount.

Article 16. (Definition of Letter of Credit)

The term, "Letter of Credit", as used in this Act shall mean an instrument which a Bank issues upon the request of a customer to notify and authorize a beneficiary named by the customer to issue a draft or other certificate in accordance with a prescribed form and in an amount not to exceed a certain limit, such draft to be accepted or paid by the Bank or its designated correspondent upon the beneficiary performing certain agreed upon terms and conditions.

Article 17. (Definition of Deposit Reserve) Deleted.

Article 18 (Definition of Responsible Person of a Bank). The term, "'Responsible Person of a Bank", as used in this Act shall mean the person designated to be responsible in accordance with the provisions of the

Company Law, other laws or the organic regulations and rules of the relevant Bank.

Article 19. The term "Competent Authority" as used in this Act shall mean the Financial Supervisory Commission.

Article 20. (Definition of Bank). The term, "Bank", as used in this Act shall include:

(1) Commercial Banks;

(2) Banks for a Special Business Purpose; and;

(3) Investment and Trust Companies.

Except for those Banks established by the Government, the type and special business purpose of a Bank shall be indicated in the Bank's name.

A non-Bank may not use a name specified in Paragraph 1 or any other name that would likely cause people to mistake it for a bank.

Article 21. (Requirement of Formation Procedures). A Bank or a branch office thereof shall not commence business operations before having completed the formation procedures prescribed in Chapter II of this Act.

Article 22. (Restrictions on Business Activity). A Bank shall not conduct any business other than as approved by the Central Competent Authority.

Article 23. (Minimum Capital Requirements). The minimum capital requirements for different types of Banks shall be determined or adjusted, as applicable, by the Central Competent Authority based on the population and economic conditions in each of the geographic areas established by the Central Competent Authority and the type of Bank, respectively.

In the event that a Bank's capital falls below such minimum requirements after the aforesaid adjustment, the Central Competent Authority shall prescribe a period of time within which such Bank to increase its capital and shall revoke such Bank's Permit3 if the Bank fails to comply within such period of time.

Article 24. (Currency of Capital). The capital of a Bank shall be established in terms of the national currency.

Article 25. The shares issued by a Bank shall be registered shares. The same person or same concerned party who singly, jointly or collectively acquires more than five percent (5%) of a Bank's outstanding voting shares shall report such fact to the Competent Authority within ten (10) days from the day of acquisition; the preceding provision applies to each cumulative increase or decrease in the shares of the same person or same concerned party by more than one percent (1%) thereafter. The same person or same concerned party who intends to singly, jointly or collectively acquire more than ten percent (10%), twenty-five percent (25%) or fifty percent (50%) of a Bank's outstanding voting shares shall apply for prior approval of the Competent Authority.

A third party who holds shares of the Bank on behalf of the same person or same concerned party in trust, by mandate or through other types of contract, agreement or authorization shall fall within the purview of a concerned party. The same person or same concerned party who singly, jointly or collectively holds shares of the Bank representing more than five percent (5%) but less than fifteen percent (15%) of a Bank's outstanding voting shares prior to the implementation of the amendment to the Act on December 9, 2008 shall report such fact to the Competent Authority within six (6) months from the implementation date of the said amendment. Those who report to the Competent Authority within the said prescribed

period may maintain their shareholding at the time of reporting. However, those whose original shareholding exceeds ten percent (10%) shall apply for the prior approval of the Competent Authority when they intend to increase their shareholding for the first time thereafter.

The regulations governing the qualifications and requirements for the same person or same concerned party who applies for approval pursuant to Paragraph 3 hereof or the proviso of the preceding paragraph, required documentation, shares to be acquired, purpose of acquisition, sources of funding, and other matters to be complied with shall be prescribed by the Competent Authority.

Where the same person or same concerned party who holds voting shares issued by a Bank without filing a report with the Competent Authority or obtaining approval from the Competent Authority in accordance with the provisions set forth in Paragraphs 2, 3 or 5 hereof, the excess shares held by such same person or same concerned party shall not have voting rights and shall be disposed of within the given period prescribed by the Competent Authority.

If the total number of a Bank's shares held by the same person or by the principal, his/her spouse and children under twenty (20) years of age exceeds one percent (1%) of the Bank's outstanding voting shares, such principal shall notify the Bank thereof.

Article 25-1. The term "same person" as used in the preceding article shall mean the same natural or juristic person.

The term "same concerned party" as used in the preceding article shall mean parties related to the same natural or juristic person, including:

1. Parties related to the same natural person:

a. The principal, his/her spouse and relatives by blood within the second degree of kinship.

b. An enterprise in which the persons referred to in the preceding subparagraph hold more than one third (1/3) of its outstanding voting shares or more than one third of its capital.

c. An enterprise or a foundation in which the persons referred to in subparagraph (1) hereof act as its chairman, president or directors representing the majority of directors.

2. Parties related to the same juristic person:

a. The same juristic person and its chairman and president as well as the spouse and relatives by blood within second degree of kinship of the chairman and president.

b. Enterprises in which the same juristic person and natural persons referred to in the preceding subparagraph hold more than one third (1/3) of their outstanding voting shares or more than one third of their capital, or enterprises or foundations in which the same juristic person and natural persons referred to in the preceding subparagraph act as their chairman, president or directors representing the majority of directors.

c. The affiliates of the same juristic person. The term "affiliate" shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Law. The calculation of shares of a Bank held by the same person or same concerned party under the preceding two paragraphs shall exclude shares held under the following circumstances.

d. Shares acquired by a securities firm during the underwriting period of the securities and disposed of during the period prescribed by the Competent Authority.

e. Shares acquired by a financial institution under a collateral pledge or security agreement and four years have not elapsed since the date of acquisition.

f. Shares acquired by inheritance or bequest and two years have not elapsed since the date of inheritance or bequest.

Article 26. The Central Competent Authority may impose restrictions on the establishment of new Banks or additional branches in specific geographic areas depending on local financial and economic conditions.

Article 27. The establishment of Overseas branch(es) by a Bank shall require the approval of the Central Competent Authority after consultation with the Central Bank of China.

Article 28. If a commercial bank or a bank f or a special business purposes conducts a trust or securities business, the business and accounting [for the trust or securities business] must be independent; rules related to the business scope and risk management [of such businesses] may be prescribed by the Competent Authority. A Bank conducting a trust or securities business shall appropriate funds exclusively for such business operations. The amount of such exclusive business operation funds shall be as approved by the Competent Authority.

Unless otherwise provided by other laws, a Bank conducting a trust business shall be subject to the provisions of Chapter Six of this Act.

Unless otherwise provided by other laws or rules prescribed by the Competent Authority, a Bank's staff members conducting trust or securities business shall keep customer information and transaction materials confidential; such confidentiality obligations shall apply to dealings between such staff members and the staff members of other departments of the Bank.

Article 29. Unless otherwise provided by law, any organization other than a Bank shall not Accept Deposits, manage Trust Funds or public property under mandate or handle domestic or foreign remittances.

Upon a violation of Paragraph 1 of this Article, remedial action shall be taken by the Competent Authority or the competent authority in charge of the particular enterprise, together with the juridical police authority, and the case shall be referred to the court for action.

If the organization concerned is a juristic person, the responsible person shall be jointly and severally liable for repayment of the relevant obligations. In performing the duties stipulated above, a suspected party's accounting books and documents may be searched and detained in accordance with the law, facilities including signs may be torn down and/or other necessary actions may be taken.

Article 29-1. Using borrowed money, accepting investments, making the depositor a shareholder or using other classifications in order to accept deposits or obtain capital from the general public4 by agreeing to pay or paying a bonus, interest, share dividend interest or other reward in an excessive amount, shall be deemed the act of Accepting Deposits.

Article 30. If, in connection with extension of loans, issuance of Letters of Credit or issuance of guarantees, the borrower, mandator or the party on behalf of which the guarantee is issued is a company limited by shares and, under the authority of a board of directors resolution, makes a written commitment to the Bank offering certain property as collateral and agreeing not to encumber the same by mortgage or pledge to a third party, the Bank may permanently or temporarily waive the registration of real estate mortgages or chattel mortgages or the delivery of the items pledged. However, the Bank may request subsequent registration or delivery thereof within a period of time prescribed by the Bank if and when necessary.

In the case of a breach of the aforesaid commitment by the borrower, mandator or guarantor, such borrower, mandator or guarantor's directors who participated in making such decision and the wrongdoer shall be jointly and severally liable for compensation.

Article 31. Regarding the issuance of Letters of Credit and undertakings to accept Commercial Negotiable Instruments by a Bank, the rights and obligations between the Bank and its customer shall be governed by an agreement.

If security is required of a customer in connection with the aforesaid business, such security shall comply with Article 12 of this Act.

Article 32. No unsecured credit shall be extended by a Bank to enterprises in which the Bank holds three percent (3%) or more of the total paid-in capital, to its staff members, to its Major Shareholders, to any interested party of its own responsible person or of a staff member in charge of credit extensions. However, the foregoing prohibition on unsecured credit shall not apply to consumer loans and loans extended to the government.

The credit amount of the aforesaid consumer loans shall be as prescribed by the Central Competent Authority.

The term, "Major Shareholder", as set forth in this Act shall mean a shareholder who holds at least one percent (1%) of the total number of issued and outstanding shares of the Bank. Where a Major Shareholder is a natural person, the shares of his/her spouse and the shares of his/her minor children shall be counted in the total number of shares held by such Major Shareholder.

Article 33. For any secured credit extended by a Bank to enterprises in which the Bank holds at least five percent (5%) of the total paid-in capital of said enterprises, to its own responsible person, to its staff members, to its Major Shareholders, to any interested party of its own responsible person or of a staff member in charge of credit extensions, the terms of such extended credit shall not be more favorable than those terms offered to other same category customers. If the credit amount to be extended by a Bank exceeds the amount prescribed by the Central Competent Authority, a Bank needs the concurrence of at least three-quarters of all of such Bank's directors present at a meeting attended by at least two-thirds of the directors, to extend such credit. [In addition to the foregoing], the amount of the aforesaid connected credit extension to each related party, the aggregate amount of such credit extensions thereof, the terms and conditions of such credit extension and the same category customers referred to under this preceding Paragraph shall be prescribed by the Central Competent Authority after consultation with the Central Bank of China.

Article 33-1. The definition of interested parties as used in the preceding two articles shall mean:

1. Spouse, relatives by blood within the third degree of relationship or relatives by marriage within the second degree of relationship of the responsible person of a Bank or of a staff member in charge of credit extensions by such Bank.

2. An enterprise solely invested in, by or a partnership invested in by the responsible person of a Bank, by a staff member in charge of credit extensions of such Bank or by an interested party stipulated in Subparagraph 1 of this Article.

3. An enterprise of which more than ten percent (10%) of the total issued and outstanding shares or paid-in capital is solely or totally held by the responsible person of a Bank, by a staff member in charge of credit extensions of such Bank or by an interested party stipulated in Subparagraph 1 of this Article.

4. An enterprise invested in by a Bank in which a director, supervisor or manager of such invested enterprise is the responsible person, a staff member in charge of credit extensions of such Bank or an interested party stipulated in Subparagraph 1 of this Article; provided, that such investment and the holding of such concurrent positions has been approved by the Central Competent Authority.

5. A juristic person or other organization in which the representative or administrator is the responsible person of a Bank, a staff member in charge of credit extensions of a Bank or an interested party stipulated in Subparagraph 1 of this Article.

Article 33-2. A Bank shall not "'cross" extend unsecured credit to the responsible person or a Major Shareholder of such Bank's correspondent bank or to an enterprise whose responsible person is also the responsible person of the correspondent bank. Any secured [cross] credit extension thereof shall be handled in accordance with Article 33 of this Act.

Article 33-3. The Competent Authority may impose restrictions on credit extensions or other transactions by a Bank with the same person, the same concerned party or the same affiliate, and issue regulations with respect to the limits on such credit extensions, the scope of other transactions, and other matters to be complied with. The same person, same concerned party or the same affiliate with which a Bank may extend credit or engage in other transactions as referred to in the preceding paragraph shall be defined as follows:

1. The same person shall mean the same natural or juristic person.

2. The same concerned party shall mean the principal, his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in which the principal or his/her spouse is the responsible person.

3. The same affiliates shall be defined under Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Law.

Article 33-4. The foregoing shall apply to persons falling under Articles 32, 33 or 33-2 who use other persons' names to apply for credit extensions.

The amount of credit extensions obtained by persons who obtained such extensions by using other persons' names and the amount of loan proceeds transferred to such persons by using other persons' names shall be deemed as credit extensions to such persons for purposes of the preceding paragraph.

Article 33-5. In determining whether the amount invested by a Bank is more than three percent (3%) or five percent (5%), as applicable, of the paid-

in capital of an entity for purposes of Article 32-1, Paragraph 1 and Article 33, Paragraph 1 the following investments shall be included:

1. The amount invested by one or more of the Bank's subsidiary(ies);
2. The amount invested by a third party acting for the Bank; and
3. The amount invested by a third party acting for the Bank's subsidiary(ies). The term, "Bank's subsidiary", as used in the preceding Paragraph, shall have the meaning set out in Article 369-2, Paragraph 1, of the Company Law.

Article 34. A Bank shall not offer allowances, gifts or other payments in addition to regular interest in order to solicit Deposits. This provision shall not apply to Trust Funds for which dividends may be declared pursuant to the relevant trust agreement(s).

Article 35. Neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates and the amount of other unwarranted benefits from depositors, borrowers or other customers.

Article 35-1. Neither the responsible person nor any staff member of a Bank may concurrently hold a position(s) in another Bank(s) unless in the capacity of a director or supervisor of an invested Bank arising from an investment relationship and then only with the approval of the Central Competent Authority.

Article 35-2. The guidelines for qualifications and requirements for the responsible person of a Bank, restrictions on concurrent posts thereof and other matters to be complied with shall be prescribed by the Competent Authority.

A person not meeting the qualifications and requirements set forth in the guidelines referred to in the preceding paragraph shall not act as the responsible person of a Bank; any such person who currently acts as the responsible person of a Bank shall be ipso facto discharged.

Article 36. The Central Competent Authority may, when necessary, impose appropriate restrictions on the extension of unsecured Loans or Guarantees by Banks after consultation with the Central Bank of China.

The Central Competent Authority may, when necessary, set the standard for the ratio of a Bank's major assets to major liabilities and major liabilities to net worth after consultation with the Central Bank of China. Any Bank, which ratio does not meet the above prescribed standard, in addition to being punished pursuant to the relevant provisions, may be restricted by the Central Competent Authority in distributing its profits.

The terms "major asset" and "major liability", as used in the preceding Paragraph shall be as defined by the Central Competent Authority taking into consideration the business nature of the different kinds of Banks.

Article 37. The value of items to be pledged or properties to be mortgaged by a borrower shall accurately be determined by Banks based on current price, rate of depreciation and saleability.

Whenever necessary, the Central Bank of China, in order to control credit, may impose a maximum lending rate on loans secured by selected types of items for pledge or properties for mortgage.

Article 38. Banks may extend medium-or long-term loans for the purchase or construction of residential buildings or buildings for business purposes. However, the term of such loans may not exceed thirty (30) years.

Article 39. A Bank may extend medium-term loans to individuals for purchase of durable consumer goods or may discount notes issued by a buyer and endorsed by a distributor/seller.

Article 40. In extending the loans referred to in the preceding two Articles, the procedure for repayment in instalments used in medium-or long-term loans shall be applicable. The Central Bank of China may, when necessary, regulate and control the terms and duration of repayment.

Article 41. A Bank's interest rates shall be based on an annual rate and shall be posted in the Bank's place of business5.

Article 42. A Bank shall provide reserves for different types of deposits and other types of liabilities incurred by such Bank in accordance with the rates established by the Central Bank of China.

The scope of the "'other types of liabilities" under the preceding paragraph shall be determined by the Central Bank of China in consultation with the Competent Authority.

Article 42-1. The Bank shall obtain the Competent Authority's approval prior to issuing cash storage cards and shall post reserves thereon in accordance with regulations prescribed by the Central Bank of China; rules for approval and management of such issuance shall be prescribed by the Competent Authority after consulting with the Central Bank of China.

The term, "cash storage card", shall mean a card which uses electronic, magnetic or optical methods to store the value of money such that the cardholder may use all or part of the saved value to exchange for merchandise or services or to otherwise make payments.

Article 43. In order to assure that a Bank maintains adequate liquidity, the Central Bank of China, after consultation with the Central Competent

Authority, may from time to time prescribe a minimum ratio between the current assets of the Bank and the Bank's various liabilities. Upon a Bank's failure to comply with said minimum ratio, the Central Competent Authority shall notify the Bank to make due adjustment within a specified period of time.

Article 44. A Bank's equity capital to its risk assets shall not be less than a certain ratio. For Banks which are required by the Competent Authority to

produce consolidated financial statements, the equity capital to risk assets on such consolidated basis shall also meet a certain ratio.

Banks shall be graded by capital as follows based on the ratio of its equity capital to risk assets:

1. Adequate capital.
2. Inadequate capital.
3. Significantly inadequate capital.
4. Seriously inadequate capital.

The term "seriously inadequate capital" mentioned in subparagraph 4 of the preceding paragraph shall mean the ratio of equity capital to risk assets being less than two percent (2%). A Bank whose net-worth to total assets is less than two percent (2%) shall be deemed as having seriously inadequate capital.

The regulations governing the definition of "certain ratio" as referred to in Paragraph 1 hereof, the scope of a Bank's equity capital and risk assets, method of calculation, and measures for grading in Paragraph hereof, and reviews shall be prescribed by the Competent Authority.

Article 44-1. Banks having any of the following situations are prohibited from distributing cash profits or buying back shares thereof:

1. The Bank is graded as having inadequate capital, significantly inadequate capital or seriously inadequate capital.
2. The Bank is graded as having adequate capital, but the Bank might be downgraded to any of the grades stipulated in the preceding subparagraph if it distributes cash profits or buys back shares thereof.

Banks stipulated in Subparagraph 1 of the preceding paragraph shall not make payments to their responsible persons other than remunerations, unless it is otherwise approved by the Competent Authority.

Article 44-2. The Competent Authority shall take the following actions in part or in whole based on the grading of a Bank's capital:

I. Banks having inadequate capital:

1. Order the Bank or its responsible person to propose a capital restructuring or other finance and business improvement plans. For Banks that fail to propose a capital restructuring or other finance and business improvement plans as ordered, or fail to carry out the said plan accordingly, supervisory actions for the next capital grade may be adopted.
2. Restrict the new acquisition of risk assets or take other necessary actions.

II. Banks having significantly inadequate capital:

1. Apply the provisions in the preceding paragraph.
2. Remove the responsible person from his/her position and notify the competent authority in charge of company registration to take note thereof on the registered items.

3. Order the Bank to obtain the prior approval of the Competent Authority before acquiring or disposing of specific assets.

4. Order the Bank to dispose of specific assets.

5. Restrict or prohibit credit extension or other transactions with interested parties.

6. Restrict the investment activities or some businesses of the Bank, or order the Bank to close a branch or department within a prescribed period.

7. Limit the interest rate the Bank pays on deposits to a level not exceeding the interest rate other banks pay on comparable deposits or deposits of the same nature.

8. Order the reduction in remuneration of responsible persons, and the reduced remuneration shall not exceed 70% of the average remuneration paid out to the said responsible person within twelve (12) months before the Bank's capital becomes significantly inadequate.

9. Assign officials to take conservatorship over the Bank's operations or take other necessary actions.

III. Banks having seriously inadequate capital: The Competent Authority shall take actions set out in Paragraph 2 of Article 62 of this Act in addition to the actions prescribed in the preceding subparagraph.

The Competent Authority may examine at any time the implementation status of the Bank's capital restructuring or finance and business improvement plan, if deemed necessary, consult with relevant authorities or institutions and entrust a professional institution to provide assistance t the cost of the Bank.

Where a Bank is under the conservatorship of an official assigned by the Competent Authority, Paragraph 3 of Article 62-2 of this Act shall apply mutatis mutandis. Where a Bank's business operation is seriously inadequate or its capital might be downgraded, the Competent Authority may adopt supervisory actions for the next capital grade. Where there is a concern of imminent danger of the Bank's continuing operation or adverse effect on the financial stability, the Competent Authority should renew the review or adjustment of the Bank's capital grade.

The regulations related to the procedure for conservatorship mentioned in Paragraph 1 hereof, the responsibility and authority of the conservator, assumption of related expenses and other matters to be complied with shall be prescribed by the Competent Authority.

Article 45. The Central Competent Authority may, at any time, appoint a designee, entrust an appropriate institution or direct a local Competent Authority to appoint a designee to examine the business, financial affairs and other relevant affairs of a Bank or related parties, or direct a Bank or related parties to prepare and submit, within a prescribed period of time, balance sheets, property inventories or other relevant documents for examination.

The Central Competent Authority may, when necessary, appoint professionals to verify statements, materials or affairs which are subject to examination pursuant to the preceding Paragraph, and such professionals shall, in turn, present a report to the Central Competent Authority. Any fees arising therefrom shall be borne by the relevant Bank(s).

Article 45-1. A Bank shall establish an internal control system and audit system; regulations governing the objectives, principles, policies, operating procedures, qualifications and conditions for internal auditors, scope of internal control audits that a certified public accountant shall be engaged to undertake, and other matters requiring compliance, shall be prescribed by the Competent Authority.

A Bank shall establish an internal processing system and procedures with respect to the evaluation of asset quality, the creation of loan loss provision, the clearing of and writing off of non-performing and non-accrual loans. Applicable regulations with respect to the above system and procedures shall be prescribed by the Competent Authority.

Where any Bank operations are entrusted to another person to handle, the Bank shall adopt an internal operation system and procedures covering the scope of the matters entrusted, protection of customer rights and interests, risk management, and internal control principles. Applicable regulations with respect thereto shall be prescribed by the Competent Authority.

Article 45-2. Banks shall reinforce security protections for their business premises, vaults, rental safe deposit boxes (rooms), automated teller machines, and cash transport operations. Applicable regulations with respect thereto shall be prescribed by the Competent Authority.

A Bank shall exercise the due care of a good-faith administrator with respect to deposit accounts. Where a deposit account is suspected of illegality or an obviously irregular transaction, a Bank may temporarily suspend deposits, withdrawals, or outward remittances of funds.

Standards for determining suspected illegality or obviously irregular transactions of accounts under the preceding paragraph and operational procedures and regulations for temporary account suspension shall be prescribed by the Competent Authority.

Article 46. In order to safeguard the interests of depositors, a Deposit insurance organization may be formed by the Government or by one or more Banks.

Article 47. In order to make reserves mutually available and to increase the availability and efficiency of credit, Banks may prescribe rules and regulations regarding the formation of an interbank organization to provide mutual support.

Article 47-1. Institutions wishing to engage in a money market or credit card business shall first obtain the approval of the Central Competent Authority. Administrative rules governing such institutions shall be promulgated by the Central Competent Authority after consultation with the Central Bank of China.

Article 47-2. Article 4, Article 32 through Article 33-4, Article 35 through Article 35-2, Article 36, Article 45, Article 45-1, Article 49 through Article 51, Article 58 through Article 62-9, Article 64 through Article 69 and Article 76 shall apply to institutions conducting a money market business.

Article 47-3. A financial information service business which intends to engage in an inter-bank funds transfer clearing services shall obtain the Competent Authority's approval to do so. If such business also involves large amount funds transfer clearing, the approval of the Central Bank of China is also required. Regulations with respect to the approval and management of such business shall be prescribed by the Competent Authority after consulting with the Central Bank of China.

To engage in an inter-bank credit information business shall require prior approval from the Competent Authority. Regulations with respect to the approval and management of such business shall be prescribed by the Competent Authority.

Article 48. A Bank may not accept requests from a third party to stop payment on deposits or remittances, to detain collateral or articles in such Bank's custody, or other similar requests, unless such requests are made under a judgment of a court or under relevant provisions of other laws.

A Bank shall keep confidential all related information on deposits, loans or remittancesof its customers unless under any of the following circumstances:

1. Otherwise provided for by law.
2. The write-off data related to the same customer whose delinquent debt has been written off and the cumulative amount of write-off exceeds NT$50 million, or the cumulative amount of delinquent debt of the same customer written off in half a year after the loan was made exceeds NT$30 million,.
3. The information on non-performing loan or non-accrual loan in cases prosecuted by prosecutors pursuant to Articles 125-2, 125-3, or127-1.
4. Other circumstances as prescribed by the Competent Authority.

Article 49. At the end of each business year, each Bank shall prepare and submit its annual report and business report, financial statements, determination as to distribution of profits or make up of losses and other items designated by the Competent Authority to the Competent Authority and the Central Bank of China respectively, for recordation, within fifteen (15) days after such reports are approved by such Bank's annual

shareholders' meeting or if there is no shareholders' meeting, within fifteen (15) days after such reports are approved by such Bank's board of directors, as applicable. The matters to be included in the annual report shall be as prescribed by the Competent Authority.

In addition to publishing its financial statements and other items specified by the Competent Authority in a daily newspaper in the place where such Bank is located or in such other manner as may be designated by the Competent Authority, a Bank shall also post one copy thereof in a conspicuous place in each of its business premises for [public] review; provided, that if Bank complies with Article 36 of the Securities and Exchange Act, the above publication shall not be required.

The reports and items required to be published under the preceding Paragraph shall be audited and certified by a certified public accountant.

Article 50. A Bank, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after-tax earnings as a legal reserve. However, unless and until the accumulated legal reserve equals the Bank's paid-in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid-in capital.

In the event that the accumulated legal reserve equals or exceeds a Bank's paid-in capital or the Bank is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Law, the restrictions stipulated in the preceding paragraph shall not apply.

In addition to the required legal reserve, a Bank may set aside a special surplus reserve in accordance with its Articles of Incorporation or a resolution of its shareholders meeting.

The regulations governing the criteria of capital adequacy ratio for being sound in finance and business operations as stipulated in Paragraph 2 hereof, asset quality and compliance shall be prescribed by the Competent Authority.

Article 51. The business hours and holidays of Banks shall be prescribed and publicly announced by the Central Competent Authority.

Article 51-1. So as to educate its professional staff, a Bank shall set aside funds exclusively for use in the development of financial study and training programs. Related methods and principals shall be established by the Bankers Association of the Republic of China and approved by the Competent Authority.

CHAPTER II FORMATION, AMENDMENT, SUSPENSION AND DISSOLUTION OF BANKS

Article 52. A Bank is a juristic person and, unless otherwise provided by law, shall only be in the form of a company limited by shares or have been established with special approval obtained prior to the amendment and

enforcement of this Act. The stock of a Bank shall be publicly issued unless otherwise approved by the Competent Authority.

The requirements for establishment of Banks or other financial institutions to be established in accordance with this Act or other laws shall be as prescribed by the Central Competent Authority.

Article 53. In order to establish a Bank, the applicant(s) shall submit the following information to the Central Competent Authority for approval:

1. Type of Bank, name and type of company organization;
2. Total capital;
3. Business plan;
4. Locations of head office and branch offices; and
5. Names, native places, home addresses and curriculum vitae of each promoter and the amount of shares subscribed by each promoter.

Article 54. A company which has been approved by the Competent Authority to be established in accordance with the Company Law may apply for a banking business license from the Competent Authority by submitting the following supporting documents to the Competent Authority after its capital has been fully paid-in and its company registration has been completed:

1. Certificate of company registration;
2. Statement for verification of capital;
3. Articles of Incorporation of the Bank;
4. Shareholders' roster and minutes of shareholders' meeting;
5. Directors' roster and minutes of board of directors' meeting;
6. Managing directors' roster and minutes of managing director's meeting; and
7. Supervisors' roster and minutes of supervisors' meeting.

A Bank which is not organized as a company may directly submit an application for a business license, in accordance with the preceding Paragraph, after its application for establishment is approved.

Article 55. To commence business operations, a Bank shall, at its head office and branch offices, publicly announce the particulars of its business license as issued by the Central Competent Authority.

Article 56. After a business license has been issued to a Bank, the Central Competent Authority may revoke the Bank's Permit if the particulars in the original application are discovered to have been materially untrue.

Article 57. If a Bank wishes to establish a branch office, it shall apply to the Central Competent Authority for approval and for a business license for such branch office by submitting a business plan and specifying the proposed location of such branch office. If a Bank wishes to relocate or close a branch office, such Bank shall apply to the Central Competent Authority for approval.

A Bank wishing to establish, relocate, or close a non-business operation office or a automated service facility outside a place its business shall file an application in advance, and may establish, relocate or close such place or facility if the Central Competent Authority does not expressly reject such application within a specified period of time from the date of application. However, the Bank shall not engage in any actions applied for prior to the expiry of such specified period. Administrative rules governing the preceding 2 paragraphs shall be as stipulated by the Central Competent Authority.

Article 58. Mergers of Banks or any proposed amendments to the particulars set forth in Article 53, paragraphs 1), 2) or 4) of this Act shall require the approval of the Central Competent Authority, followed by an amendment to the Bank's company registration and application for issuance of a new business license.

Public announcement of the aforesaid mergers and amendments shall be made at the Bank's head office and branch offices within fifteen (15) days after issuance of the new business license.

Article 59. If a Bank violates the first Paragraph of the preceding Article, the Competent Authority may order the Bank to take corrective measures within a prescribed period of time. If such Bank fails to take such measures and the violation is serious, the Competent Authority may order the Bank to suspend operations.

Article 60 (deleted).

Article 61. A Bank, in adopting a resolution for dissolution at a shareholders' meeting, hall state the reason for dissolution in the minutes of the said shareholders' meeting, provide a plan for the repayment of liabilities and apply to the Competent Authority, by submitting such minutes and plan, for approval before the liquidation procedure may be commenced.

The Competent Authority, in approving dissolution under the preceding paragraph, shall revoke the Permit granted to the Bank.

Article 61-1. If there is a possibility that a Bank has violated laws and regulations, its Articles of Incorporation or disturbed the sound operation [of the financial system], the Competent Authority may, depending on the situation, take any of the following actions in addition to ordering correction or improvement by the Bank within a specified period of time:

1. Revoke resolutions of statutory meetings;
2. Suspend part of the Bank's business;
3. Order the Bank to discharge managers or staff members;
4. Discharge directors and supervisors or suspend them from performance of their duties for a specified period of time; and/or 5.Other necessary measures.

In the event that a Bank's directors or supervisors are discharged in accordance with Subparagraph 4 of the preceding Paragraph, the Competent Authority shall notify the Ministry of Economic Affairs to cancel the registration of such directors or supervisors.

If business assistance is needed in order to improve a Bank's operation defects, the Competent Authority may designate institutions to provide such assistance.

Article 62. When there is a concern that a Bank is unable to pay its debts when due or there might detriment to the depositors' interests due to obvious deterioration in the Bank's business or financial status, the Competent Authority shall assign officials to take receivership over the Bank, order such a Bank to suspend and wind up business , or take other necessary measures. If deemed necessary, the Competent Authority may notify relevant authorities or institutions to prohibit the Bank's responsible person from transferring, delivering or creating other rights in his/her properties, and/or request the immigration agency to prohibit the responsible person from departing the country.

When a Bank's capital is graded as being seriously inadequate, the Competent Authority shall assign officials to take receivership over the Bank within ninety (90) days from the date the Bank is listed as having seriously inadequate capital. Notwithstanding the foregoing, for Banks that are ordered by the Competent Authority to undertake capital restructuring or merger within a prescribed period but have failed to comply therewith accordingly, the Competent Authority shall assign officials to take receivership over the Bank within ninety (90) days from the next day following the expiration of the prescribed period.

The regulations governing the procedure for receivership mentioned in the preceding two paragraphs hereof, the responsibilities and powers of the receiver, assumption of related expenses and other matters to be complied with shall be prescribed by the Competent Authority.

For Banks that are ordered to suspend business under Paragraph 1 hereof, the winding-up procedure for such Banks shall be deemed as liquidation under the Company Law.

A court that receives a Bank's filing for bankruptcy shall promptly forward a copy of the petition to the Competent Authority and consult the specific opinions of the Competent Authority on whether bankruptcy declaration should be allowed.

Article 62-1. In the event a Bank is placed under receivership or is ordered to suspend and wind up business, the duties and powers of the Bank's shareholders' meeting, board of directors, directors, supervisors or audit committee are ipso facto suspended. The Competent Authority may notify relevant authorities or institutions to prohibit the transfer, delivery or

creation of rights in the properties owned by the Bank or its responsible persons or staff members who are suspected of violating laws, and may request the immigration agency to prohibit said persons from departing the country.

Article 62-2. Where the Competent Authority has assigned officials to take receivership over a Bank, the Bank's operation and management and disposal of the Bank's properties shall be handled by the receiver.

The receiver in the preceding paragraph has the authority to represent the Bank under receivership in litigation and non-litigation matters and may designate a natural person to discharge duties on his/her behalf. A receiver is not subject to Article 17 of the Administrative Execution Act in the performance of duties. Upon receiving the order of receivership, the responsible person and staff members of a Bank shall deliver all books, documents, seals and properties together with an inventory thereof to the receiver and shall disclose all necessary information relating to the assets and liabilities of the Bank to the receiver and take other necessary actions to comply with such receivership as per the receiver's request; the Bank's responsible person or staff members shall not refuse to answer relevant inquiries or make false representations.

A Bank is not subject to Article 35 of Civil Code, Articles 208-1, 211, 245, and 282 ~ 314 of Company Law, or the Bankruptcy Act during receivership.

The duration of receivership over a Bank shall last two hundred and seventy (270) days from the date the Competent Authority assigns officials to take over. If deemed necessary and with the approval of the Competent Authority, the duration of receivership may be extended once for a period of no longer than one hundred and eighty (180) days.

A receiver is not required to furnish security when requesting the court for provisional seizure or provisional disposition in the performance of his or her duties.

Article 62-3. With regards to the following actions toward a Bank under receivership, the receiver shall formulate a feasibility action plan with the approval of the Competent Authority:

1. Mandating other Banks, financial institutions or the Central Depository Insurance Company to operate all or part of the business.
2. Increasing capital, reducing capital or increasing capital after reducing capital.
3. Sale of all or part of the business, assets or liabilities.
4. Merger with another bank or another financial institution.
5. Other important actions as determined by the Competent Authority.

All necessary expenses and debts incurred by the receiver for maintaining the operations and in the performance of duties shall be borne

by the Bank under receivership and repaid by the Bank's properties at any time; the types of necessary expenses and debts shall be prescribed by the Competent Authority. Where the expenses and debts referred to in the preceding paragraph are not paid off, they shall have priorities over other debts of the Bank when the Bank under receivership is ordered by the Competent Authority to suspend and wind up business , and may be repaid at any time by the assets of the winding-up Bank .

Article 62-4. In the event that a bank or financial institution receives the transfer of business, assets and liabilities pursuant to Subparagraph 3, Paragraph 1 of the preceding article, the following provisions shall apply:

1. For a company limited by shares, a resolution of consent to the transfer must be adopted by at least a majority of the votes of shareholders present at a shareholders' meeting attended by shareholders representing a majorityof the outstanding shares of the company, whereas dissenting shareholders may not request buy back of their shares, and Articles 185 through 188 of the Company Law do not apply.

1. Notifications of the transfer of debt may be done by a public announcement and Article 297 of the Civil Code does not apply.

2. The assumption of debt does not require the acknowledgment of creditors as provided in Article 301 of the Civil Code.

3. If the Competent Authority determines that there is a need for exigent measures , which will not have materially adverse effect on financial market competition, approval of the Fair Trade Commission under Paragraph 1, Article 11 of the Fair Trade Law is not required.

In case a Bank transfers its business, assets and liabilities pursuant to Subparagraph 3, Paragraph 1 of the preceding article, Paragraph 2, Article 5 of The Protective Act for Mass Dismissal of Employees does not apply.

In addition to Subparagraph 4 of Paragraph 1hereof, the following provisions shall also apply when a Bank or another financial institution is merged with a Bank under receivership in accordance with Subparagraph 4 of Paragraph 1 of the preceding article:

1. For a company limited by shares, a resolution of consent to merger must be adopted by at least a majority of the votes of shareholders present at a shareholders' meeting attended by shareholders representing a majorityof outstanding shares of the company, whereas dissenting shareholders may not request buy back of their shares. For a credit cooperative, a resolution of consent to merger must be adopted by at least a majority of members (representatives) present in a members (representatives) meeting attended by at least a majority of all members (representatives), whereas dissenting members may not request refund of the amount of their shares, and Paragraphs 1 through 3 of Article 316 and Article 317 of the Company Law, and Paragraph 1 of Article 29 of the Credit Association Act shall not apply.

2. Notifications of dissolution or merger may be done by a public announcement and Paragraph 4, Article 316 of the Company Law does not apply.

Subparagraph 4 of Paragraph 1 hereof shall apply where another Bank, financial institution or the Central Depository Insurance Company is mandated to operate a Bank's business pursuant to Subparagraph 1 of Paragraph 1 of the preceding article.

Article 62-5. For the winding-up of a Bank, the Competent Authority shall designate a liquidator to handle such proceedings and may dispatch officials to supervise the winding-up process; Paragraphs 1-3 and 6 of Article 62-2 herein shall apply to the liquidator in the performance of duties. The duties of a rehabilitator shall be to:

1. To wind up all pending business.
2. To collect all outstanding debts and to pay off all claims .

When a liquidator discharges his or her duty pursuant to the preceding paragraph to transfer the business, assets and liabilities of a winding-up Bank to another bank or financial institution, or proposes the merger of the Bank with another bank or financial institution, the liquidator shall acquire the prior approval of the Competent Authority.

Paragraphs 1 and 3 of the preceding article shall apply where a winding-up Bank transfers its business, assets, and/or liabilities to or merges with another bank or financial institution.

Article 62-6. After appointment of a rehabilitator, a public announcement shall be made in the daily newspapers where the Bank's head office is located requesting creditors to declare their claims within thirty (30) days and stating that claims, other than claims otherwise known to the rehabilitator, which are not declared within such specified period of time shall be excluded from the rehabilitation.

The rehabilitator shall investigate the Bank's financial conditions and prepare balance sheet and property inventories within three (3) months after the above declaration period expires, and prepare a rehabilitation plan, report same to the Competent Authority for acknowledgment and publish the Bank's balance sheet in daily newspapers where the Bank's head office is located.

During the period specified in the first paragraph, the rehabilitator shall not pay any claims other than release of trust asset or assets held as custodian and payment of staff salaries and payments made in accordance with the Deposit Insurance Act.

Article 62-7. If a Bank is ordered by the Competent Authority to suspend and wind up business , creditors' rights shall not be exercised by any third party against the Bank other than through the winding-up proceeding set forth in Paragraph 1 of the preceding article, except for rights that have

been ascertained through litigation procedures. If the distribution of payment of creditors' rights referred to in the preceding paragraph is likely to be delayed due to litigation, the liquidator may set aside an amount based on the winding-up distribution ratio and distribute the residue assets to other creditors.

The proceedings for corporate reorganization, bankruptcy, settlement, and compulsory execution shall automatically stay during a Bank's winding-up period. The liquidator may terminate or void any contract or agreement already entered into by the winding-up Bank but not yet being performed or fully performed. The counterparties to such contracts or agreements that sustain damages thereof may exercise their rights as creditors under the winding-up proceedings. The following creditors' rights shall be excluded from the winding-up :

1. Interest accrued after the Bank's suspension of business.
2. Expenses incurred by creditors for personal benefit in participating in the winding-up .
3. Damages and penalties owed by the Bank due to non-performance of obligations after the Bank's suspension of business.
4. Criminal fines , administrative fines and arrears fees .

Those who hold pledges, mortgages or liens on the Bank's properties prior to the date of suspension of business shall have the right of exclusion; creditors with the right of exclusion may exercise their rights independently of the winding-up procedure; provided that for debts that remain unsettled after the exercise of right of exclusion, such creditors may file a claim in accordance with the winding-up proceeding. Expenses and debts incurred from the performance of winding-up duties by the liquidator shall have priority over winding-up claims and may be reimbursed at any time by the assets of the Bank undergoing rehabilitation.

The statute of limitations on claims in accordance with Paragraph 1 of the preceding article or known to the liquidator and included as winding-up claims shall be interrupted and shall be reinstated from the conclusion of the winding-up proceedings.

The rights of creditors who have been repaid in the winding-up proceeding to request payment of the unpaid part of their claims shall be deemed extinguished. After completion of winding-up, if distributable property is discovered, supplemental distribution shall be carried out. If there is any residue property after paying those creditors who are listed in the winding-up proceeding, the creditors referred to in paragraph 5 shall be entitled to claim it.

After a Bank has repaid its debts according to the preceding paragraph, the remaining assets, if any, shall be distributed among the Bank's shareholders pursuant to the Company Law.

Article 62-8. The rehabilitator shall prepare an revenue and expense statement and income statement and other relevant records for the rehabilitation period within fifteen (15) days after the rehabilitation is completed, and shall publish same in the daily newspapers where the Bank's head office is located and report same to the Competent Authority to cancel the Bank's licenses.

Article 62-9. The expenses and debt incurred by an institution designated by the Competent Authority or its dispatched officials to provide guidance or carry out the work of conservatorship shall be borne by the Bank receiving the guidance or undergoing conservatorship.

Article 63 (Deleted).

Article 63-1, Article 61-1 and Article 62-1 through Article 62-9 shall apply to Banks or financial institutions established under other laws.

Article 64. If the losses of a Bank exceed one third (1/3) of the Bank's capital, the Bank's directors or supervisors shall immediately report such information to the Central Competent Authority.

In the above-described circumstances, the Central Competent Authority shall require the Bank to make up such a deficit within three (3) months. If the Bank fails to do so within such a prescribed period of time, the Central Competent Authority shall send officials to take receivership over the Bank or the Bank shall be ordered to suspend its business. Article 64-1

If a bank or a financial organization is run poorly and there is a need to cease its operation and liquidate its debts, deposit debts shall precede non-deposit debts. The above-mentioned deposit debts shall mean deposits stipulated in Article 4 of the Deposit Insurance Act. As for non-deposit debts, it shall mean debts other than deposit debts of the insured unit.

Article 65. If a Bank is ordered to suspend its business and is instructed to take corrective measures on certain matters within a prescribed period of time, but fails to correct the matters within such prescribed period of time, the Central Competent Authority shall revoke such Bank's Permit.

Article 66. If a Bank's Permit is revoked by the Central Competent Authority, such Bank shall be dissolved and liquidation procedures shall commence immediately.

Article 67. If a Bank is approved for dissolution or has its Permit revoked, such Bank shall surrender and cancel its business license within a prescribed period of time. Upon failure to do so, the Central Competent Authority shall cancel the business license of such Bank by public announcement.

Article 68. In supervising a special liquidation of a Bank, the court shall consult with the Competent Authority for advice and, when necessary, request the Competent Authority to recommend a liquidator or to delegate a

representative to assist the liquidator in carrying out the liquidator's functions.

Article 69. After a Bank has commenced liquidation, no distribution of capital or dividends shall be made under any pretense unless all of the Bank's liabilities have been settled. In the course of liquidation of a Bank, the handling of the Bank's Trust Funds and trust properties shall be dealt with in accordance with the terms of the relevant trust agreements.

CHAPTER III COMMERCIAL BANKS

Article 70. The term, "Commercial Bank", as used in this Act shall mean a Bank the principal function of which is to accept Checking Deposits and Demand Deposits and Time Deposits and extend short-term and medium-term loans.

Article 71. Businesses which may be conducted by a Commercial Bank are as follows:

1. To accept Checking Deposits;
2. To accept Demand Deposits; 3 .To accept Time Deposits;
3. To issue Bank Debentures;
4. To extend short-term, medium-term and long-term loans;
5. To discount bills and notes;
6. To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks;
7. To handle domestic and foreign remittances;
8. To accept commercial drafts;
9. To issue foreign and domestic Letters of Credit;
10. To guarantee the issuance of corporate bonds;
11. To guarantee domestic and foreign transactions;
12. To act as collecting and paying agent;
13. To act as agent to sell government bonds, treasury notes, corporate bonds and stocks;
14. To conduct warehousing, custody and agency businesses in relation to the businesses in the preceding fourteen items subparagraphs; and
15. To conduct other relevant business which may be authorized by the Competent Authority.

Article 72. The total amount of medium-term loans extended by a Commercial Bank shall not exceed the balance of its Time Deposits received.

Article 72-1. A Commercial Bank may issue Bank Debentures having a minimum tenor of two years. By agreement with the holders such debentures may enjoy the priority over other creditors of the Bank; applicable regulations with respect to issuance and maximum amounts shall be prescribed by the Competent Authority after consulting with the Central Bank of China.

Article 72-2. The total amount of loans extended for residential construction and construction for business purposes by a Commercial Bank shall not exceed thirty percent (30%) of the aggregate of such Commercial Bank's deposits and Bank Debentures issued at the time such loans is extended; provided, that the following shall not be subject to such limitation;

1. Housing loans approved by the Competent Authority for the encouragement of savings to purchase private homes;

2. Housing loans which are extended using postal savings deposits which are allocated by the Central Bank of China and redeposited with the bank;

3. Loans extended for purposes of financing purchase of residential construction by use of medium-and long-term funds from the Councilfor Economic Planning and Development;

4. Loans extended for construction for business purposes using medium-and long-term funds from the Development Fund and/or the Council for Economic Planning and Development;

5. Loans for purposes of encouraging investment in construction of public housing, loans for purchase of public housing and loans for purchase of residential houses by government employees and teachers.

A maximum amount of the loans under the provisos to the preceding Paragraph may, when necessary, be prescribed by the Competent Authority.

Article 73. With respect to issuing, buying and selling stocks, a Commercial Bank may extend financing to stock brokers and stock investment companies.

The rules governing such financing shall be as prescribed by the Central Bank of China.

Article 74. Commercial Banks may apply to the Competent Authority for approval to invest in financial related businesses. The application shall be deemed approved if the Competent Authority does not object thereto within fifteen (15) days after the application is submitted to the Competent Authority; provided, that, until such fifteen (15) day period has elapsed, the Bank shall not proceed with the relevant investment. Commercial Banks which obtain approval from the Competent Authority to do so, may invest in non-financial related businesses in cooperation with a Government's economic development project; provided, that such Banks shall not be involved in the management of such businesses. An application for approval to make such investments shall be deemed approved if the Competent Authority does not object thereto within thirty (30) days after the application is submitted to the Competent Authority; provided, that until such thirty (30) day period has elapsed, such Bank shall not proceed with the relevant investment.

Investment made pursuant to the two preceding paragraphs shall be subject to the following requirements:

1. The total investment amount shall not exceed forty percent (40%) of the Bank's paid-in capital less aggregate losses, and the total amount invested in non-financial related businesses shall not exceed ten percent (10%) of the Bank's paid-in capital less the aggregate losses.

2. Unless such is in cooperation with a government policy and is approved by the Competent Authority, a Commercial Bank shall not invest in more than one entity engaging in the same line of business; and

3. In the event that a Commercial bank invests in a non-financial related business, the investment shall not exceed five percent (5%) of the total paid-in capital or the total issued shares of such business.

The term, "financial related business", as used in Paragraph 1 and Subparagraph 2 of the preceding Paragraph, shall mean Banks, Bills Houses, Securities Companies, Futures Companies, Credit Card Companies, Financial Leasing Companies, Insurance Companies, Trust Companies and other financial related businesses designated by the MOF.

The Competent Authority shall prescribe rules to facilitate the supervision and management of mergers between Banks and invested businesses and prevent conflicts of interest between Banks and invested businesses.

If it becomes obvious that the operation of an invested business could affect the soundness of a Bank's operations, the Competent Authority may order the Bank to dispose of its shares in such invested business within a prescribed period of time. If, prior to this amendment becoming effective [e.g. prior to November 1, 2000] the total amount invested in non financial related businesses exceeds the ratio stipulated in Paragraph 3, Subparagraphs 1 and 3, respectively, then with t he approval of the Competent Authority, a Bank may continue to exceed the ratio of invested amount to the Bank's total paid-in capital less aggregate losses and the investment ratio in other businesses.

Article 74-1. (Securities). Commercial Banks may invest in securities; the types and limits with respect to the securities which may be invested in shall be prescribed by the Competent Authority. With the exception of warehousing for business use, a Commercial Bank shall not invest in real estate for self use in an amount in excess of the net worth of such Commercial Bank at the time such investment is made. The amount of a Commercial Bank's investment in warehousing for business use shall not exceed five percent (5%) of the total amount of such Commercial Bank's Deposits at the time the investment in such warehousing is made.

A Commercial Bank shall not invest in real estate other than for self use, unless:

1. A substantial portion of the real estate is for self use;
2. The real estate will be used for self-use in the near future; or
3. A substantial portion of rebuilt original real estate is for self-use.

The total amount of a Commercial Bank's investment in real estate not for self use made in accordance with the exceptions in the preceding Paragraph shall not exceed twenty percent (20%) of a Bank's net worth.

The total amount of the Bank's investment in real estate not for self use plus the total amount of Bank's investment in real estate for self use shall not exceed the Bank's net worth at the time of the investment in such real estate.

In the event a Commercial Bank conducts real estate transactions with an entity in which the Bank holds more than three percent (3%) of the paid-in capital, or with the responsible person(s) or staff members or major shareholders of the Bank, or with an interested party of the Bank's responsible person as defined in Article 33-1, the Bank shall do so at arms length and obtain the consent of more than three-quarters of its directors present at a board meeting at which at least two-thirds of the directors are present.

Article 76. Save as permitted by Articles 74 and 75 of this Act, real estate and stocks acquired by a Commercial Bank through the foreclosure of mortgages or pledges shall be disposed of within four (4) years from the date of acquisition.

CHAPTER IV SAVING BANKS

Article 77 (Deleted).
Article 78 (Deleted).
Article 79 (Deleted).
Article 80 (Deleted).
Article 81 (Deleted).
Article 82 (Deleted).
Article 83 (Deleted).
Article 84 (Deleted).
Article 85 (Deleted).
Article 86 (Deleted).

CHAPTER V BANKS FOR A SPECIAL BUSINESS PURPOSE

Article 87. To facilitate extension of specialized credit, the Central Competent Authority may approve the establishment of a Bank(s) for a Special Business Purpose or designate an existing Bank(s) to perform such functions.

Article 88. The term, "'specialized credit", as used in the preceding article shall be classified in the following categories:

1. Industrial credits;

2. Agricultural credits;
3. Export-import credits;
4. Credits for medium and small sized enterprises;
5. Real estate credits; and
6. Local credits.

Article 89. The scope of business of a Bank for a Special Business Purposes shall be as prescribed by the Competent Authority in accordance with Article 3 of this Act, taking into consideration the principal functions of such Bank for a Special Business Purpose and the requirements for economic development.

Unless otherwise prescribed by law or the Competent Authority's regulations, Article 73 through Article 76 shall apply to Banks for a Special Business Purpose.

Article 90. Unless otherwise prescribed by the Competent Authority, a Bank for a Special Business Purpose the principal function of which is to extend medium-term and long-term loans may issue Bank Debentures in accordance with Article 72-1 of this Act.

The funds acquired by a Bank for a Special Business Purpose, from the issuance of Bank Debentures in accordance with the preceding Paragraph, shall be utilized exclusively for investment in specialized enterprises and for extending medium-term and long-term loans.

Article 91. A Bank for a Special Business Purpose which purpose is to extend credit for industrial purposes is classified as an Industrial Bank. The principal functions of an Industrial Bank shall be to extend medium-term and long-term credit to industrial, mining, transportation and other public utilities enterprises.

An Industrial Bank may invest in the manufactory industry; the scope of manufacturing business in which investments may be made shall be prescribed by the Competent Authority.

An Industrial Bank may accept deposits; provided, that such business shall be limited to customers which are companies in which the Bank invests or to which the Bank extends credit, insurance enterprises established in accordance with applicable law, foundations and the Government.

The establishment criteria, credit extensions, securities investment, enterprise investments, deposit taking and the scope of, limits on and administration rules for issuance of Bank Debentures by an industrial bank shall be as prescribed by the Competent Authority.

Article 91-1. If an Industrial Bank directly invests in manufacturing businesses in the following circumstances, such Bank shall obtain the approval of more than three-quarters of its directors present at a Board meeting at which two-thirds of the directors are present; and its total

investment amount shall not exceed five percent (5%) of the Bank's net worth as of the end of the preceding fiscal year:

1. The invested business is the Bank's major shareholder, responsible person(s) or an affiliate of such shareholder or person;

2. The invested business is the Bank's shareholder, the Bank's responsible person or a partnership or sole proprietorship managed by a related person of such shareholder person or responsible person;

3. The major shareholder or responsible person of the Bank and their related persons jointly or severally hold more than ten percent (10%) of the total amount of issued shares or paid-in capital of the invested business; or

4. The Bank's major shareholder, responsible person(s) and/or their related persons are directors, supervisors or managers of the invested business except in cases where they act as directors, supervisors or managers due to the Bank's investment relationship with such business.

The term, "affiliate" , as used in Subparagraph 1 of the preceding Paragraph shall have the meaning set out in Articles 369-1 through 369-3, Articles 369-9 and 369-11 of the Company Law.

The term, "related persons", as used in Subparagraphs 2 through 4 of Paragraph 1, shall include the spouse, blood relatives within three degree and marriage relatives within two degree of the Bank's major shareholder(s) and the Bank's responsible person.

Article 92. A Bank for a Special Business Purpose which purpose is to extend credit for agricultural purposes is classified as an Agricultural Bank.

The principal functions of an Agricultural Bank shall be to improve the financial situation in rural areas and to extend credit necessary for production to agricultural, forestry, fishing, animal husbandry and related enterprises.

Article 93. In order to strengthen the availability and efficiency of agricultural credit, an Agricultural Bank may absorb funds in rural areas through the assistance of farmers' associations and use such funds to extend agricultural credit and to provide banking services related to farmers' livelihood.

Article 94. A Bank for a Special Business Purpose which purpose is to extend credit to export-import enterprises is classified as an Export-Import Bank.

The principal functions of an Export-Import Bank shall be to extend medium-term and long-term credit with a view to expanding overseas markets, and to facilitating the import of equipment and raw materials needed domestically by industrial enterprises.

Article 95. To facilitate the supply of important raw materials needed domestically by industrial enterprises, an Export-Import Bank, with the approval of the Central Competent Authority, may extend credit to

enterprises for investment in obtaining important raw materials in foreign countries. A Bank for a Special Business Purpose which purpose is to extend credit to medium and small sized enterprises is classified as a Medium and Small Sized Enterprise Bank.

The principal functions of a Medium and Small Sized Enterprise Bank shall be to extend medium-and long-term credit to medium and small sized enterprises in order to assist them in improving their productive equipment and financial structure and strengthening their management and operations.

The scope of business of a Medium and Small Sized Enterprise Bank shall be as prescribed by the central competent authority in charge of economic affairs and submitted to the Executive Yuan for approval.

Article 97. A Bank for a Special Business Purpose which purpose is to extend credit to real estate enterprises is classified as a Real Estate Credit Bank.

The principal functions of a Real Estate Credit Bank shall be to extend medium-and long-term credit for the purposes of land development, city improvement, urban development, road construction, tourist facilities and housing construction projects.

Article 98. A Bank for a Special Business Purpose which purpose is to extend credit in local areas is classified as a Citizens' Bank.

The principal functions of a Citizens' Bank shall be to extend medium-and long-term credit for the purposes of assisting in area development and in meeting the needs of local residents.

Article 99. Citizens' Banks shall be operated by district. In principle, there shall be only one such Bank in each district.

The total amount of loans extended by a Citizens' Bank to any one customer shall not exceed a prescribed amount.

Districts where Citizens' Banks may be established and the amount of loans to be extended to any one customer shall be as prescribed by the Central Competent Authority.

CHAPTER VI INVESTMENT AND TRUST COMPANIES

Article 100. The term, "'Investment and Trust Company", as used in this Act shall mean a financial institution which, for a specific purpose and in the capacity of trustee, accepts, operates, manages and employs Trust Funds and manages trust properties or, as an investment broker, invests funds relating to capital markets for specific purposes. The operations and administration of an Investment and Trust Company shall be governed by this Act; matters with no applicable provisions in this Act shall be governed by other relevant laws; the administrative rules for Investment and Trust Companies shall be as stipulated by the Central Competent Authority.

Article 101. Businesses which may be conducted by an Investment and Trust Company are as follows:

1. To extend medium-term and long-term loans;
2. To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and listed stocks;
3. To guarantee issuance of corporate bonds;
4. To guarantee domestic and foreign transactions;
5. To underwrite and trade in securities for its own account or for customers;
6. To accept, manage and employ various Trust Funds;
7. To publicly raise mutual Trust Funds;
8. To manage various kinds of property under mandate;
9. To act as trustee for issuance of bonds;
10. To act as attester for the issuance of bonds and stocks;
11. To act as agent for issuance, registration and transfer of securities and distribution of interest and dividends thereon;
12. To act as executor of wills and administrator of estates of deceased persons;
13. To act as supervisor for the reorganization of companies;
14. To provide consulting services in connection with the issuance and raising of securities and to engage in agency services related to the aforesaid business; and
15. To conduct other relevant businesses which may be authorized by the Central Competent Authority.

With the approval of the Central Competent Authority, an Investment and Trust Company may use its non-trust funds to invest directly in productive enterprises or in residential construction and construction for business purposes.

Article 102. For Investment and Trust Companies which engage in the underwriting and trading of securities, a special fund equivalent to at least ten percent (10%) of the net worth of the Investment and Trust Company in the preceding year shall be allocated for purposes of the operation thereof. Such special fund shall, prior to any appropriation thereof, be deposited in cash with other financial institutions or shall be used for the purchase of government bonds.

Article 103. An Investment and Trust Company shall deposit a trust fund reserve with the Central Bank of China in cash or valuable securities acceptable to the Central Bank of China. Such reserve shall be within the range of fifteen percent (15%) to twenty percent (20%) of the total value of the various trust agreements, as determined by the Central Bank of China. However, the minimum reserve amount shall not be less than twenty percent (20%) of the Trust and Investment Company's total paid-in capital. At the

commencement of operations of an Investment and Trust Company, the aforesaid reserve shall temporarily be based on twenty percent (20%) of paid-in capital of such Investment and Trust Company, and, commencing one (1) year from such commencement of operations, such reserve shall be adjusted at the end of each month in accordance with the foregoing standard.

Article 104. In accepting, managing or employing Trust Funds and managing properties under a trust mandate, trust agreements between Investment and Trust Companies and trustors shall contain the following terms:

1. Means and scope of employing the funds;
2. Method of management of properties;
3. Allocation of income;
4. Responsibility of the Investment and Trust Company;
5. Submission of accounting reports;
6. Standards for payment and calculation of fees of the Investment and Trust Company; and
7. Other relevant agreed upon terms.

Article 105. An Investment and Trust Company shall in good faith exert its utmost care in managing Trust Funds or trust assets in its custody.

Article 106. The operation and administration of an Investment and Trust Company shall be handled by financial personnel with special knowledge and experience, assisted by qualified legal, accounting and other technical personnel necessary for the various businesses involved.

Article 107. If an Investment and Trust Company violates laws, ordinances or trust agreements or, for other reasons for which the Investment and Trust Company is responsible, causes loss to trustors, the Investment and Trust Company's responsible director, officer-in-charge, and the Investment and Trust Company itself shall be jointly and severally liable to make compensation for the damages incurred. The aforesaid liability imposed on the responsible director or officer-in-charge shall terminate if no lawsuit has been brought against such person within two (2) years after the date of his resignation registration.

Article 108. Unless otherwise authorized by court order, by the written agreement of trustors (for purchase at market price) or, without consent of the trustors (for purchases at market price by open bid), an Investment and Trust Company shall not engage in the following transactions:

1. Acquisition of ownership of trust properties;
2. Creation or obtaining of any rights or privileges over trust properties;
3. Sale of its own properties or rights to trustors;
4. Other transactions related to the aforesaid three Subparagraphs; and

5. Any transactions employing Trust Funds and properties with the Investment and Trust Company's directors, staff members or third parties who have an interest in the Trust Funds operated by the Investment and Trust Company.

If an Investment and Trust Company makes the decision to engage in transactions proscribed in the aforesaid proviso, in addition to first applying to the Central Competent Authority for approval, the following restrictions shall apply:

1. If the Investment and Trust Company makes the decision to engage in a transaction, any director or staff member who has a direct or indirect interest in the trust accounts, trust properties or securities in connection with the such transaction shall not participate in such decision.

2. If the Investment and Trust Company engages in the underwriting or trading of securities, or directly invests for its own account or for the account of investors, the company's directors or staff members who are concurrently directors or staff members of the company issuing such securities or who have direct or indirect interests in the said securities shall not participate in any decisions relating to such transaction.

Article 109. Prior to the investment of Trust Funds by an Investment and Trust Company pursuant to the terms of the relevant trust agreements, or prior to continuing investment of the s aid Trust Funds after retrieval of the Trust Funds by the Investment and Trust Company, such Trust Funds shall be deposited with Commercial Banks or Banks for a Special Business Purpose.

Article 110. An Investment and Trust Company may operate the following Trust Funds:

1. Trust Funds for uses designated by the trustors; and

2. Trust Funds for uses determined by the Investment and Trust Company.

For Trust Funds, the uses of which are determined by the Investment and Trust Company, it may be specified in the trust agreement that the Investment and Trust Company shall be responsible for compensation for losses of principal. For compensation for losses of principal, the Investment and Trust Company shall, at the end of each fiscal year, make a precise assessment of such principal losses and shall compensate such losses by allocating funds from the Investment and Trust Company's special reserve as stipulated in the relevant trust agreement(s). The aforesaid special reserve shall be appropriated from the annual income derived from trust properties pursuant to standards approved by the Competent Authority. Surpluses in the special reserve account, after full compensation for principal losses, shall be credited to the Investment and Trust Company's income; any deficit in the

special reserve shall be covered by the Investment and Trust Company's own funds.

Article 111. An Investment and Trust Company shall individually establish a special account for each trustor and each type of Trust Fund. The Investment and Trust Company's own properties and trustors' properties shall be kept in separate accounts and shall not be commingled.

An Investment and Trust Company shall not borrow funds for the account of its Trust Funds.

Article 112. The creditors of an Investment and Trust Company may not apply for seizure or exercise other such rights over trust properties.

Article 113. An Investment and Trust Company shall set up a trust property assessment committee to assess, every three (3) months, the value of the trust properties provided by each trustor. The result of the assessment of each such trust account shall be reported to the Board of Directors of the Investment and Trust Company.

An Investment and Trust Company shall submit to each trustor and to the Central Competent Authority, periodic accounting reports in accordance with the trust agreements and the regulations of the Central Competent Authority.

Article 115. An Investment and Trust Company, in offering public common Trust Funds, shall prepare a plan for such issuance and shall submit the same to the Central Competent Authority for approval.

Administrative rules governing the aforesaid public common Trust Funds shall be as prescribed by the Central Competent Authority.

Article 115-1. Except as regards businesses approved by the Competent Authority in accordance with Article 101, Paragraph 2, above Article 74, Article 75 and Article 76 shall apply to Investment and Trust Companies.

CHAPTER VII FOREIGN BANKS

Article 116. The term, "Foreign Bank", as used in this Act, shall mean a Bank organized and incorporated in accordance with the laws of a foreign country, which Bank has been recognized by the government of the Republic of China and registered for business as a branch office within the territory of the Republic of China, in accordance with the Company Law and this Act.

Article 117. A Foreign Bank, which establishes a branch office within the territory of the Republic of China, must obtain approval from the Competent Authority, and be recognized and registered in accordance with the Company Law. A Foreign Bank branch shall commence operations only after obtaining a business license pursuant to the procedures set out in Article 54 of this Act; a Foreign Bank which establishes a representative office in the Republic of China shall obtain the approval of the Competent Authority.

The rules for establishment and operations of foreign banks under the preceding paragraph shall be prescribed by the Competent Authority.

Article 118. The Central Competent Authority may, in consideration of the need for international trade and industrial development, designate areas where Foreign Banks may be allowed to establish branches.

Article 119 (deleted).

Article 120. A Foreign Bank shall appropriate funds exclusively for its operation of business within the territory of the Republic of China and Articles 23 and 24 of this Act shall apply mutatis mutandis.

Article 121. Businesses which may be conducted by a Foreign Bank shall be as prescribed by the Competent Authority, after consultation with the Central Bank of China, within the business scope stipulated in Articles 71 and Article 101, Paragraph 1, of this Act. Matters pertaining to foreign exchange shall be as permitted by the Central Bank of China.

Article 122. Any receipts and disbursements of funds made by a Foreign Bank branch shall be in the Chinese national currency, with the exception of foreign currency Deposits with respect to which special permission has been granted by the Central Bank of China.

Article 123. Chapter 1 through Chapter 3 and Chapter 6 of this Act shall also apply to Foreign Banks.

Article 124 (deleted).

CHAPTER VIII PENALTIES

Article 125. Those who violate Article 29, Paragraph 1, of this Act shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT$10,000,000) and not more than Two

Hundred Million New Taiwan Dollars (NT$200,000,000). Those who thereby obtain criminal income of One Hundred Million New Taiwan Dollars (NT$100,000,000) or more shall be punished by imprisonment for more than seven (7) years, and may also be fined a criminal fine of not less than Twenty Five Million New Taiwan Dollars (NT$25,000,000) and not more than Five Hundred Million New Taiwan Dollars (NT$500,000,000). A financial information service business which operates inter-bank funds transfer and account clearing without obtaining the approval of the Competent Authority shall be punished in accordance with the preceding Paragraph. Should a juristic person commit the offenses prescribed in the preceding two paragraphs, its responsible person shall be punished.

Article 125-1. A person who damages the credit of a Bank, a Foreign Bank, a money market business's or a financial information service business which operates inter-bank funds transfer and bills clearing by spreading rumors or by fraud shall be punished by imprisonment for less than five (5) years and a criminal fine of less than Ten Million New Taiwan Dollars (NT$10,000,000).

Article 125-2. A Bank's responsible person or staff member who violates his/her duty with the intent to gain illegal benefit for himself/herself or a third party and damages the Bank's assets or other interests shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT $ 10,000000) and not more than Two Hundred Million New Taiwan Dollars (NT$200,000,000). Those who thereby obtain criminal income of One Hundred Million New Taiwan Dollars (NT$100,000,000) or more shall be punished by imprisonment for more than seven (7) years, and may also be fined a criminal fine of not less than Twenty Five Million New Taiwan Dollars (NT$25,000,000) and not more than Five Hundred Million New Taiwan Dollars (NT$500,000,000).

When two or more responsible persons or staff members of a Bank jointly commit the offenses prescribed in the preceding Paragraph, their punishment may be increased by up to one-half of the specified punishment.

Attempts to commit the acts described in the preceding two paragraphs shall be punishable.

The preceding three paragraphs shall apply to the responsible person or staff members of Foreign Banks or institutions conducting money market businesses.

Article 125-3. Those who, with the intent to gain illegal benefit for themselves or a third party, use fraudulent methods to cause the Bank to deliver the assets of the Bank or a third party, or use unjustified methods to enter fictitious data or unjustified commands into the Bank computer or relevant equipment, or make records of acquisition, loss or alteration of the

assets so as to obtain the assets of others, the criminal income of which amount to One Hundred Million New Taiwan Dollars (NT$100,000,000) or more , shall be punished by imprisonment for not less than three (3) years and not more than ten (10) years, and may also be fined a criminal fine of not less than Ten Million New Taiwan Dollars (NT$10,000,000) and not more than Two Hundred Million New Taiwan Dollars (NT$200,000,000).

Those who use methods described in the foregoing paragraph to obtain the illegal benefit of assets or cause a third party to do so shall likewise be subject to the specified punishments.

Attempts to commit the acts described in the preceding two paragraphs shall be punishable.

Article 125-4. For those who have turned themselves in after committing crimes stipulated in Article 125, Article 125-2 or Article 125-3, if there are gains from such crimes and they have delivered all gains out at their free will, their sentences can be reduced or exempted. If their acts of turning themselves in have led to the capture of other principal criminals or accomplices, their sentences shall be exempted.

For those who have committed crimes stipulated in Article 125, Article 125-2 or Article 125-3 and confessed during investigation, if there are gains from such crimes and they have delivered all gains out at their free will, their sentences can be reduced. If their acts of confession have led to the capture of other principal criminals or accomplices, their sentences shall be reduced by one-half. For those who have committed crimes stipulated in Paragraph 1 of Article 125-1, Paragraph 1 of Article 125-2 or Paragraphs 1 and 2 of Article 125-3, if their gains from such crimes is exceeded the highest level of fines, more fines can be added within the range of their illegal gains. Should their criminal acts have jeopardized the stability of the financial market, their sentences shall be increased by one-half.

Article 125-5. Where a gratuitous act done by a responsible person or staff member of a Bank under Article 125-2, Paragraph 1, or by a committer of a violation under Article 125-3, Paragraph 1, is prejudicial to the rights of a Bank, the Bank may apply to the court to cancel such act.

Where a non-gratuitous act done by a responsible person or staff member of a Bank or a committer of a violation as referred to in the preceding paragraph is done with the knowledge, at the time of commission, that it would be prejudicial to the rights of a Bank, and the beneficiary of the act also knows such circumstances at the time the benefit is received, the Bank may apply to the court to cancel such act. Whenapplying to the court for cancellation under either of the preceding two paragraphs, a party may alsoapply to the court to order the beneficiary or any party to whom the benefit has been transferred to restore the status quo ante; provided, this shall not apply where the party to whom the benefit has been transferred was not

aware at the time of transfer that there was any cause for cancellation. Any disposition of property between a responsible person or staff member of a Bank or a committer of a violation as referred to in Paragraph 1, and such person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a gratuitous act. Any disposition of property between a responsible person or staff member of a Bank or a committer of a violation as referred to in Paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a gratuitous act. The right to cancellation under Paragraphs 1 and 2 shall be extinguished one year after the time the Bank is aware of any cause for cancellation if the Bank fails to exercise the right, or ten years after the time of the act.

The preceding six paragraphs shall apply to the responsible person or staff members of Foreign Banks under Article 125-2, Paragraph 4.

Article 125-6. The crimes set forth in Article 125-2, Paragraph 1, Article 125-2, Paragraph 1, as applied under Article 125-2, Paragraph 4, and Article 125-3, Paragraph 1, are serious crimes as defined in Article 3, Paragraph 1, of the Money Laundering Control Act, and are subject to the application of relevant provisions of the Money Laundering Control Act.

Article 126. In the event that a company limited by shares violates its commitment made pursuant to Article 30 of this Act, its directors and those who participated in the decision that led to the violation of said commitment shall be punished by imprisonment for not more than three (3) years, detention, and/or a criminal fine of not more than one million and eight hundred thousand New Taiwan Dollars (NT$1,800,000).

Article 127. In the event of a violation of Article 35 of this Act, punishment by imprisonment for not more than three (3) years, detention, and/or a criminal fine of not more than Five Million New Taiwan Dollars (NT$ 5,000,000) shall be imposed. However, if a more severe punishment is stipulated in other laws, such more severe punishment shall be imposed.

In the event of a violation of Article 47-2 or Article 123 (which applies Article 35), punishment shall be imposed in accordance with the preceding Paragraph. In the event of a violation of Article 32, Article 33, or Article 33-2 of this Act or in the event of a violation which is punishable under the preceding three articles, or Article 91-1, through the acts described in Article 33-4, Paragraph 1, the responsible person shall be punished by imprisonment for not more than three (3) years, detention, and/or a criminal fine of not less than Five Million New Taiwan Dollars (NT$ 5,000,000) and not more than Twenty-Five Million New Taiwan Dollars (NT$25,000,000).

Article 127-1. In the event that the amount of a loan extended by the Bank exceeds the amount prescribed by the Competent Authority under Article 33, or a direct investment in a manufacturing business is made under Article 91-1 without obtaining approval from not less than three quarters of

the directors present in the board meeting at which not less than two-thirds directors are present, or violation of the credit limit or total balance of loans extended prescribed by the Competent Authority under Article 33, Paragraph 2 or violation of Article 91-1 with respect to total investment exceeding five percent (5%) of the Bank's net worth in the preceding fiscal year, the responsible person shall be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000) and the preceding Paragraph shall not apply. In the event that an entity operating a money market business violates Article 47-2 by application of Article 32, Article 33, Article 33-2 or Article 33-4, or a Foreign Banks violates Article 123 by application of Article 32, Article 33, Article 33-2 or Article 33-4, the responsible person shall be punished in accordance with the preceding two paragraphs.

The preceding three paragraphs shall apply to responsible persons who commit such offenses outside the territory of Republic of China.

Article 127-2. In the event of a violation of a disposition ordered by the Competent Authority pursuant to Article 62, Paragraph 1, of this Act, if the said violation is sufficient to cause damage to others or the public, the person(s) responsible for the violation shall be punished by imprisonment for not less than one (1) year and not more than seven (7) years, and a criminal fine of not more than Twenty Million New Taiwan Dollars (NT$20,000,000).

Commission of any of the following acts by a Bank's responsible person or staff members in connection with the Competent Authority sending officials to take conservatorship or receivership over the business operations or order of suspension of the business and rehabilitation measures shall be punished by imprisonment for not less than one (1) year and not more than seven (7) years and a criminal fine of not more than Twenty Million New Taiwan Dollars (NT$20,000,000):

1. Refusing to deliver the books, documents, chops and assets related to the banking business or finance to the conservators, receivers or rehabilitators designated by the Competent Authority, refusing to provide information as to the necessary matters in connection with assets and liabilities of the Bank to such persons, or refusing such persons' requests to carry out necessary acts for conservatorship, receivership, or rehabilitation.

2. Concealing or damaging the books or other documents regarding a Bank's business or financial condition;

3. Concealing or destroying a Bank's properties, or making other decisions to the detriment of creditors;

4. Failing to reply, without justification, to inquiries from conservators, receivers, or rehabilitators appointed by the Competent Authority to ; or

5. Fabricating claims or accepting false claims.

With respect to violation of the measures imposed by the Competent Authority pursuant to Article 47-2, Article 123 applying Article 62, Paragraph 1, Article 62-2 or Article 62-5 and the occurrence of any of the events prescribed in the preceding two paragraphs, the preceding two paragraphs shall apply.

Article 127-3. If the responsible person(s) or a staff member of a Bank violates Article 35-1 of this Act with respect to concurrently holding positions in other Banks, such person shall be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000). If the staff member was assigned to such concurrent position by the Bank, the punishment shall be imposed on the Bank.

If the responsible person(s) or a staff member(s) of a money market business violate Article 47-2 applying Article 35-1 of this Act with respect to holding concurrent positions, or if the responsible person(s) or a staff member(s) of a Foreign Bank violate Article 123 applying Article 35-1 of this Act with respect to holding concurrent positions such shall be punished in accordance with the preceding Paragraph.

Article 127-4. Although punishment is to be imposed or the responsible person(s) in accordance with other provisions, in the event that the responsible person(s), agent, employee(s) or a staff member(s) of a legal entity comment any of punishable under Article 125 through Article 127-2 of this Act, the legal entity shall also be punished by the administrative fine or criminal fine described in each such article. The preceding Paragraph shall apply to Foreign Banks.

Article 127-5. A violation of Article 20, Paragraph 3, shall be punished by imprisonment for not more than three years, detention, and/or a criminal fine of not more than NT$5 million.

Should a juristic person commit the offense in the preceding paragraph, its person responsible for the act shall be punished.

Article 128. The directors or supervisors of a Bank who violate Paragraph 1 of Article 64 herein by delaying filing reports to the Competent Authority, or the directors or staff members of an Investment and Trust Company who violate Article 108 herein by participating in such decision, shall, respectively, be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT$ 2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000).

In the event that the responsible person or staff member(s) of a foreign bank violate Article 123 herein to which Article 108 of the Act applies mutatis mutandis by participating in the decision, the penalties prescribed in the preceding paragraph shall apply.

In the event that a shareholder of a Bank violates Paragraphs 2, 3 or 5 of Article 25 herein by failing to file a report with the Competent Authority with respect to his/her shareholding, or failing to acquire the approval of the Competent Authority to hold shares of the Bank, such shareholder shall be imposed of an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000).

A financial information business which handles inter-bank funds transfers and bills clearing, or a service business which handles the inter-bank credit data processing and exchange commits one of the following acts shall be imposed of an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000):

1. Refusing to be examined or concealing or damaging related data, or refusing to respond to or making false representation in response to the inquiries of the investigators without justifications, missing the deadline for submission of data or making false or incomplete representations the Competent Authority dispatches officials or appoints an appropriate institution to examine its business, financial condition and other related matters, or orders submission of financial reports or other related data.
2. Suspending all or part of its business without obtaining the approval of the Competent Authority.
3. Unless otherwise provided for in other laws or regulations prescribed by the Competent Authority, disclosing without cause a third party's data learned or held through their position.

A service business which conducts inter-bank credit data processing and exchange without obtaining the approval of the Competent Authority shall be punished pursuant to the preceding paragraph.

Article 129. Commission of any of the following acts shall be imposed of an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million New Taiwan Dollars (NT$10,000,000):

1. Violation of Articles 21, 22 or 57 or violation of Article 123 to which Articles 21, 22 or 57 of the Act applies mutatis mutandis.
2. Issuing share certificates in violation of Paragraph 1 of Article 25 herein;
3. Violation of Paragraphs 1 through 3, Article 28 or violation of Article 123 to which Paragraphs 1 through 3 of Article 28 of the Act apply mutatis mutandis;
4. Violation of restrictions imposed by the Competent Authority under Article 33-3 or Article 36 or Article 123 herein to which Article 33-3 or Article 36 of the Act applies mutatis mutandis;

5. Violation of the notice given by the Competent Authority in accordance with Article 43 or Article 123 to which Article 43 of the Act applies mutatis mutandis by failing to make the adjustment required thereby within the prescribed period;

6. Violation of Article 44-1 of the Act or the actions taken by the Competent Authority in accordance with Paragraph 1 of Article 44-2 herein;

7. Failure to establish or diligently conduct the internal control and audit systems, internal processing system and procedures, and internal operation system and procedures in accordance with Article 45-1 or Article 123 herein to which Article 45-1 of the Act applies mutatis mutandis;

8. Failure to apply for approval in accordance with Paragraph 2 of Article 108, or violation of Article 123 herein to which Paragraph 2 of Article 108 of the Act applies mutatis mutandis;

9. Violation of Paragraph 4 of Article 110, or violation of Article 123 herein to which Paragraph 4 of Article 110 of the Act applies mutatis mutandis by failing to set aside sufficient special reserve;

10. Violation of Paragraph 1 of Article 115, or violation of Article 123 herein to which Paragraph 1, Article 115 of the Act applies mutatis mutandis in publicly offering mutual trust fund; or

11. Violation of Article 48 of the Act.

Article 129-1. The responsible person(s) or staff member(s) of a Bank or other concerned persons committing any of the following acts when the Competent Authority dispatches officials or mandates appropriate institutions or orders local Competent Authorities to dispatch officials or designates professional and technical persons to check the business, financial condition and other related matters, or orders the Bank or other concerned persons to submit financial reports, property inventories or other related documents and reports in accordance with Article 45 of this Act shall be punished by an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million Dollars (NT$10,000,000):

1. Refusing to be investigated or refusing to open the vault or other storage facilities;

2. Concealing or damaging books and documents related to business or financial conditions;

3. Refusing to reply or misrepresenting responses to inquiries of the investigator without justifiable reasons.

4. Failure to timely, honestly or completely provide financial reports, property inventories or other related data or reports, or to pay investigation fees within the specified period(s) of time.

The responsible person(s) or staff member(s) or other concerned person(s) of a money market business or a Foreign Bank committing the acts

listed in the preceding Paragraph when the Competent Authority dispatches officials or mandates appropriate institutions or orders local Competent Authorities to dispatch officials or designates professional and technical persons to check the business, financial condition and other related matters, or orders the Bank or other concerned person(s) to provide financial reports, property inventories or other related documents and reports in accordance with Article 47-2 or Article 123 applying Article 45 of this Act shall be punished pursuant to the preceding Paragraph.

Article 129-2. The responsible person of a Bank who violates Paragraph 1 of Article 44-2 of the Act by failing to propose or to diligently undertake capital restructuring, or other finance and business improvement plan shall be imposed of an administrative fine of not less than Two Million New Taiwan Dollars (NT$2,000,000) and not more than Ten Million Dollars (NT$10,000,000).

Article 130. Commission of any of the following acts shall be punished by an administrative fine of not less than One Million New Taiwan Dollars (NT$1,000,000) and not more than Five Million New Taiwan Dollars (NT$5,000,000):

1. Violations of regulations regarding the extension of loans prescribed by the Central Bank of China in accordance with Article 40 or Article 123 applying Article 40 of this Act guidelines;

2. Violations of Article 72 or Article 123 applying Article 72 or regulations prescribed by the Competent Authority in accordance with Article 99, Paragraph 3, of this Act in extending loans;

3. Violations of Article 74, Article 89, Paragraph 2, Article 115-1 or Article 123 applying Article 74 of this Act in making investments;

4. Violations of Article 74-1, Article 75 or of Article 89, Paragraph 2, applying Article 74-1 or of Article 89, Article 115-1 or Article 123 applying Article 75 of this Act in making investments;

5. Violations of Article 76, Article 47-2, of Article 89, Paragraph 2, Article 115-1 or Article 123 applying Article 76.

6. Violations of Article 91 or the scope, restrictions or management rules prescribed by the Competent Authority for credit extensions, investments, acceptance of deposits and issuance of Bank Debentures in accordance with Article 91.

7. Violations of Article 109 or Article 123 applying Article 109 of this Act in employing Trust Funds; or

8. Violations of Article 111 or Article 123 applying Article 111 of this Act.

Article 131. Commission of any of the following acts shall be imposed of an administrative fine of not less than Five Hundred Thousand New

Taiwan Dollars (NT$ 500,000) and not more than Two Million and Five Hundred Thousand New Taiwan Dollars (NT$2,500,000):

1. Violation of Paragraph 8 of Article 25 herein by failing to give notice;

2. Violations of Article 34 or Article 123 to which Article 34 of the Act applies mutatis mutandis by accepting deposits;

3. Appointing a person not meeting the qualification requirements set forth in the guidelines stipulated in Paragraph 1 of Article 35-2 herein or the appointed responsible person violating the restrictions on concurrent posts prescribed in said Violation of Article 49 or Article 123 herein to which Article 49 of the Act applies mutatis mutandis;

4. Violation of Article 114 or Article 123 herein to which Article 114 of the Act applies mutatis mutandis;

5. Violation of Paragraph 1 of Article 50 herein by failing to set aside legal surplus reserve;

6. Violation of the rules set forth by the Competent Authority in accordance with Article 51 or Article 123 herein to which Article 51 of the Act applies mutatis mutandis; or

7. Violation of rules set forth by the Competent Authority in accordance with Article 51-1 herein by refusing to make payment.

Article 132. Unless otherwise prescribed by this Act with respect to punishment by an administrative fine, violation of this Act or the related mandatory or prohibiting regulations authorized by this Act or failure to perform obligations to be performed shall be punished by an administrative fine of not less than Five Hundred Thousand New Taiwan Dollars (NT$500,000) and not more than Two Million Five Hundred Thousand New Taiwan Dollars (NT$2,500,000).

Article 133. The administrative fines set forth in Articles 129, 129-1, 130, Subparagraphs 2 through 8 of Article 131, and Article 132 herein shall be imposed against the Bank or its branch.

The Bank or its branch may seek recourse from the responsible person after paying the administrative fines in accordance with the preceding paragraph.

Article 134. The amount of the administrative fines prescribed by this Act shall be determined and punished by the Competent Authority.

With respect to administrative fines prescribed by Article 130, Subparagraph 1 as violating Article 40, and the administrative fines prescribed by Article 132 as violating Article 37, Paragraph 2, Article 42 or Article 73, Paragraph 2 which authorize the Central Bank of China to prescribe mandatory or prohibiting regulations shall be punished by the Central Bank of China with notice to the Competent Authority.

In the event that a party penalized by an administrative fine under the preceding two paragraphs disagrees with the decision, such party may appeal such decision in accordance with the procedures for administrative appeals and administrative proceedings. During the period of administrative appeal and administrative proceedings, the execution of the penalty may be suspended by the provision of bonds in the appropriate amounts.

Article 135. In the event of failure to pay an administrative fine within the prescribed period of time, a surcharge for late payment shall be levied, and calculated at the rate of one percent (1%) of the amount of the fine in arrears for each day of delay, starting from the day following the expiry of the prescribed period of time. If the payment of the fine still has not been made thirty (30) days therefrom, the case shall be referred to the court for compulsory execution and the Central Competent Authority may, in addition, suspend the business of the relevant Bank or Bank branch.

Article 136. A Bank that has been penalized in accordance with this Chapter and which fails to take corrective measures within the specified period of time may be punished by consecutive imposition of penalties imposed daily based on the amount of the originally imposed administrative fine until the corrective measures are taken. If a Bank repeatedly violates the provisions of this Act, or where the violations are of a serious nature, the Bank may be ordered to replace the responsible person within a specified period of time or the Permit of the Bank may be cancelled.

Article 136-1. Any criminally obtained assets or property in the possession of those who have violated this Act shall be confiscated, with the exception of compensations due to those victims or parties eligible for claims against damages. If some or all of the assets or property cannot be recovered, the equivalent value of the violator's own money or property shall be confiscated as compensation.

Article 136-2. Those who violate this Act and are fined Fifty Million New Taiwan Dollars (NT$50,000,000) or more, but are unable to pay their fine in full, shall perform not more than two (2) years of labor service; the length of their labor service shall be calculated as the number of days in a two-year period proportional to the amount of the fine. Those who are fined One Hundred Million New Taiwan Dollars (NT$100,000,000) or more, but are unable to pay their fine in full, shall perform not more than three (3) years of labor service; the length of their labor service shall be calculated as the number of days in a three-year period proportional to the amount of the fine.

CHAPTER IX SUPPLEMENTARY PROVISIONS

Article 137. Prior to the enforcement of this Act, any Bank that has not applied for or obtained a business license or any institution that has been

conducting deposit and lending activities in a manner similar to a Bank, shall complete the establishment procedures in accordance with the provisions of this Act within the period of time prescribed by the Central Competent Authority.

Article 138. Subsequent to the promulgation and enforcement of this Act, if classifications or functions of any existing Banks or institutions with operations similar to a Bank are not in conformity with this Act, such shall be adjusted within the period of time prescribed by the Central Competent Authority, in accordance with the relevant provisions of this Act.

Article 138-1. For purposes of trying a criminal case of violation of this Act, the court may set up a special tribunal or appoint certain persons to hear the case.

Article 139. The provisions of this Act shall also apply to those Banks or financial institutions established under other laws, unless such laws provide otherwise. Administrative rules governing the aforesaid financial institutions shall be as stipulated by the Executive Yuan.

Article 139-1. Regulations governing the application of this Act shall be as stipulated by the Central Competent Authority.

Article 140. This Act shall become effective from the date of promulgation.

The effective date of Article 42 shall be the date as determined by the Executive Yuan; articles, which amended on May 5, 2006, shall become effective from July 1, 2006.