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| Title :       | Company Act <b>Ch</b>  |
| Date :        | 2018.08.01   |
| Legislative : | <p>1.Promulgated on December 26, 1929<br/>Effective from July 1, 1931</p> <p>2.Amended on April 12, 1946</p> <p>3.Amended on July 19, 1966</p> <p>4.Amended on March 25, 1968</p> <p>5.Amended on September 11, 1969</p> <p>6.Amended on September 4, 1970</p> <p>7.Amended on May 9, 1980</p> <p>8.Amended on December 7, 1983</p> <p>9.Amended on November 10, 1990</p> <p>10.Amended on June 25, 1997</p> <p>11.Amended on November 15, 2000</p> <p>12.Amended on November 12, 2001</p> <p>13.Amended on June 22, 2005</p> <p>14.Amended on February 3, 2006</p> <p>15.Amended on January 21,2009</p> <p>16.Amended on April 29,2009</p> <p>17.Amended on May 27,2009</p> <p>18.Amended on June 29,2011</p> <p>19.Amended on November 9, 2011</p> <p>20.Amended on December 28 ,2011</p> <p>21.Amended on January 4 ,2012</p> <p>22.Amended on August 8 ,2012</p> <p>23.Amended on January 16 ,2013</p> <p>24.Amended on January 30 ,2013</p> <p>25.Amended on May 20 ,2015</p> <p>26.Amended on July 1 ,2015</p> <p>27.Amended on August 1 ,2018</p>   |
| Content :     | <p><b>CHAPTER I General Provisions</b></p> <p><b>Article 1</b><br/>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.<br/>When conducting its business, every company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.</p> <p><b>Article 2</b><br/>Companies are of four classes as set forth in the following:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p> |

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.

#### Article 3

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.  
A foreign company, within the limits prescribed by laws and regulations, is entitled with the same legal capacity as a R.O.C. company.

#### 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

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, liquidator or temporary manager 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.  
A non-director of a company 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 NT\$ 500,000 but not more than NT\$ 2,500,000. 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 conviction of the punishment set out in Paragraph I hereinabove, the central competent authority shall cancel or 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 before the judgment becomes final. After the responsible persons, agents, employees or other personnel have been convicted the crime of Offenses of Forging Instruments or Seals in the Chapter of the Criminal Code in filing an application for registration of its company incorporation or other company alterations, the central competent authority shall, ex officio or upon an application filed by an interested party, cancel or 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 public 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 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 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.

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 required in the Articles of Incorporation, such higher percentage shall prevail in the preceding two paragraphs.

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 Two of this Article.

The responsible person of a company who has violated the provisions of Paragraph One or Two 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

A corporate name shall be in Chinese Character. No company may use a corporate name which is identical with that of another company or limited partnership. Where the corporate names of two companies or a company and limited partnership 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 therefrom, 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 a company's equity capital exceeds a certain amount or a company's equity capital does not exceed a certain amount but the company is with a certain scale, the company shall first have its financial statements audited and certified by a certified public accountant. Such certain amount, scale as well as auditing and certification rules shall be 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 competent authority in charge of securities affairs.

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 evades, impedes, or refuses 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 22-1

A company shall report annually the names, nationalities, birthdays, or the dates of its incorporation registration, identification numbers, numbers of shareholding or capital contribution, and other items as required by the central competent authority of its directors, supervisors, managerial officers, and shareholders holding more than 10 percent of the total shares of a company to the information platform established or designated by the central competent authority by way of electronic transmission. If there is any change of the above items, the company shall, within 15 days after such change date, report such change to the information platform, provided, however, that such report shall not apply to a company with certain qualifications.

The central competent authority shall check periodically the information reported according to the preceding paragraph.

Regulations governing the establishment or designation of information platform, reporting period and format of such information, scope of managerial officers, scope of companies with certain qualifications, collection, process, use of information and fees thereof, and contents of the items required set forth in Paragraph One, as well as the checking procedure and method as provided in the preceding paragraph and other matters for compliance shall be prescribed by the central competent authority with the collaboration of the Ministry of Justice.

A company fails to report or the information reported is misrepresented according to Paragraph One, the central competent authority shall notify the company to rectify its law violating act within a given time limit; and if the company fails to take corrective action beyond the given time limit, the director representing the company shall be imposed with a fine of not less than NT\$ 50,000 but not more than NT\$ 500,000; and if the company still fails to take corrective action beyond the second given time limit, the director representing the company shall be imposed with a fine of not less than NT\$ 500,000 but not more than NT\$ 5,000,000 consecutively for each non-compliance until the law violating act is rectified. If the violating act is material, the central competent authority may nullify its incorporation registration.

Under the circumstances of the preceding paragraph, the information platform set forth in Paragraph One shall take note of the violating act and punishment imposed for each time.

#### 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.

#### Article 26-1

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.

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.

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 unexpired term of office of the predecessor.

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 newspaper or electronic newspaper.

Under the circumstance of the preceding paragraph, the central competent authority may establish or designate a website for public announcements.

For the preceding two paragraphs, a public company shall comply with the provisions otherwise prescribed by the competent authority in charge of securities affairs.

#### Article 28-1

Where service of any official document which should be served to a company may be executed by way of electronic transmission.

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. Regulations governing the service by way of electronic transmission shall be prescribed by the central competent authority.

#### 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 voting shares 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 156-4, 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.

#### 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 convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, 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.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

#### 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

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#### Article 38

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#### Article 39

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### 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 service or other rights, and has to comply with the provisions in Article 41, paragraph 1, item 5.

### 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.

#### Article 62

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 accomplishment of the purpose for which the company has been formed;
3. Approval by two thirds or more 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.

#### Article 72

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 76-1

A company may reincorporate into a limited company or a company limited by shares with the approval by two thirds or more of all shareholders to modify its Articles of Incorporation. Under the circumstance of the preceding paragraph, the dissenting shareholders may withdraw his/her share capital by giving a written notice to the company.

#### Article 77

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

#### Article 78

The shareholders who become shareholders of limited liability under Article 76, Paragraph 1 or Article 76-1, 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.

#### Article 94

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.

#### Article 99

The liability of shareholders to the company shall, unless otherwise provided for in Paragraph Two, be limited to the extent of the capital contributed by each of them.

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 99-1

Equity capital to be contributed other than cash by shareholders may be in the form of monetary credit extended to the company, or the property or technical know-how required by the business of the company.

#### 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 of not less than NT\$ 10,000 but not more than NT\$ 50,000. If the company still refuses to make available the articles of incorporation as required, the amount of fine shall be increased to an amount of not less than NT\$ 20,000 but not more than NT\$ 100,000 consecutively for each non-compliance.

#### 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. If the company still refuses to make available the shareholder roster as required, the amount of fine shall be increased to an amount of not less than NT\$ 20,000 but not more than NT\$ 100,000 consecutively for each non-compliance.

#### Article 104 (Deleted)

#### Article 105 (Deleted)

#### Article 106

Increase of the amount of capital stock of a limited company shall be approved by a majority of voting shares 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.

Under the circumstance set forth in the proviso of the preceding paragraph, new shareholders may be allowed to join the company with an approval by a majority of voting shares of all shareholders.

Subject to an approval by a majority of voting shares of all shareholders, a limited company may effect a capital reduction project or change its organization into a company limited by shares.

The shareholders of a limited company who disagree with the proposals set forth in the preceding 3 paragraphs shall be deemed to be in agreement with the portion of amendment made in the Articles of Incorporation in respect to such proposals.

#### 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 assume the debt owned by it prior to its change of organization. The provisions of Article 73 and Article 74 shall apply mutatis mutandis to reduction of capital.

#### 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 the voting shares of all shareholders. When there are several directors, the Articles of Incorporation may stipulate to have one director to act as the chairman of directors and to represent the company externally; the directors shall elect a chairman of directors from among the directors by a majority vote of all directors.

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 two thirds or more of the voting shares 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 Paragraph One and Two of Article 211 of this Act shall apply mutatis mutandis to the directors of a limited company.

The director representing a limited company fails to comply with Paragraph One and Two of Article 211 as applied mutatis mutandis in the preceding paragraph shall be imposed with a fine in an amount of not less than NT\$ 20,000 but not more than NT\$ 100,000.

#### 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.

In performing their functional duties under the preceding Paragraph, shareholders who do not conduct business may appoint, on behalf of the company, a practicing lawyer and/or a certified public accountant to conduct the examination.

A limited company evades, impedes or refuses the examination to be conducted by shareholders who do not conduct business, the director representing a limited company shall be imposed with a fine of not less than NT\$ 20,000 but not more than NT\$ 100,000.

#### 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 deliver the same to each of the shareholder for their approval; such approval shall be approved by a majority of voting shares of all shareholders. The annual reports and financial statements referred to in the preceding Paragraph shall be duly delivered to shareholders within six months after close of each fiscal year. If no objection is raised by any shareholder over a period of one month after such delivery, they shall be deemed to have been approved by all shareholders.

The provisions set out in Article 228-1, Articles 231 through 233, Article 235, Article 235-1, Paragraph One of Article 240 and Paragraph One of Article 245 of this Act shall apply mutatis mutandis to a limited company.

Any person who evades, impedes, or refuses the inspection to be conducted by the inspector under Article 245 as applied mutatis mutandis in the preceding paragraph shall be imposed with a fine of not less than NT\$ 20,000 but not more than NT\$ 100,000.

#### Article 111

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

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

The shareholders who disagree with the transfer as mentioned in the preceding two paragraphs, 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 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 One or Paragraph Two. 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 consent of two thirds or more of the voting shares of all shareholders, appropriate another sum as a special reserve.

Article 239 and Item Two, Paragraph One and Paragraph Three of Article 241 shall apply *mutatis mutandis* to a limited company.

Responsible persons of a limited company who fail to set aside a legal reserve in violation of the provisions in Paragraph One, shall be imposed with a fine of not less than NT\$ 20,000 but not more than NT\$ 100,000.

#### Article 113

A modification of Articles of Incorporation, consolidation or merger and dissolution of a limited company shall be approved by two thirds or more of voting shares of all shareholders.

Subject to the provision of the preceding paragraph, for modification of Articles of Incorporation,

consolidation or merger, dissolution and liquidation of a limited 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 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.

A company may reincorporate into a limited company or a company limited by shares with the approval by two thirds or more of all shareholders to modify its Articles of Incorporation.

Under the circumstance of the preceding paragraph, the dissenting shareholders may withdraw his/her share capital by giving a written notice to the company.

#### 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, with limited disposing capacity or having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet 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 or a limited partnership;
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 company referred to in the preceding paragraph may choose not to have the board of directors but to have one or two directors; for a company with only one director, such director shall be the chairman and the functional duties and powers of the board of directors shall be exercised by such director, and the provisions governing the board of directors as set out in this Act shall not apply to such company; for a company with two directors, the provisions governing the board of directors as set out in this Act shall apply *mutatis mutandis*.

The company referred to in Paragraph One may choose not to have supervisors; the provisions governing supervisors as set out in this Act shall not apply to such company. The directors and supervisors of the company referred to in Paragraph One 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. For a company issuing par value shares, the total number of shares and the par value of each share certificate; for a company issuing no par value shares, the total number of shares.
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 cause(s) for dissolution of the company, if any;
3. The kind of special shares and the rights and obligations covered by such shares; and
4. 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 Four 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. Equity capital to be contributed other than cash by promoters may be in the form of the property or technical know-how required by 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 article, 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; and
5. In case special shares are issued, the total amount of such shares and the matters specified in various items of Paragraph One of Article 157.

#### 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

For a company issuing par value shares, its issue price of share certificates shall not be less than the par value thereof, unless otherwise provided for by the competent authority in charge of securities affairs for public companies.

For a company issuing no par value shares, its issue price of share certificate shall have no restrictions.

#### Article 141

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 Paragraphs One, Four, Five of Article 172, Article 174, Article 175, Article 177, Article 178, Article 179, Article 181, Paragraphs One, Two, Four, Five of Article 183 and Articles 189 to 191 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.

The promoter who fails to comply with Paragraphs One, Five of Article 172 or Paragraphs One, Four, Five of Article 183 as applied mutatis mutandis in the preceding paragraph shall be imposed with a fine in an amount of not less than NT\$ 10,000 but not more than NT\$ 50,000.

#### 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, technical know-how 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

a company shall choose either par value or no par value shares when issuing shares. For a company issuing par value shares, each share shall have the same par value; for a company issuing no par value shares, the payment for such no par value shares shall be fully set aside as equity capital.

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 specified in the Articles of Incorporation may be issued in installments; 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 public company may be prescribed by the competent authority in charge of securities affairs.

Equity capital to be contributed other than cash by shareholders may be in the form of monetary credit extended to the company, or the property or technical know-how required by the company, provided, however, that the amount of such substitutive capital contribution shall require a prior approval of the board of directors.

#### Article 156-1

A company may convert all of the issued par value shares into no par value shares 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; the capital reserve set aside based on Item One, Paragraph One of Article 241 before such convert shall become equity capital in whole.

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 required in the Articles of Incorporation for the preceding paragraph, such higher percentage shall prevail.

When a company issuing share certificates converts all of its par value shares into no par value shares in accordance with Paragraph One, the share price of issued par value shares shall be considered to be not written from the record date of such convert.

Under the circumstance of preceding paragraph, the company shall give notice to each shareholder to exchange his/her shares within 6 months from the record date of such convert.

The preceding four paragraphs shall not apply to public companies.

A company choosing to issue no par value shares shall not convert its shares into par value shares.

#### Article 156-2

A company may, in pursuance of the resolution adopted by its board of directors, apply to the competent authority in charge of securities affairs 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.

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 required in the Articles of Incorporation for the preceding two paragraphs, such higher percentage shall prevail.

A public company 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 affairs 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.

#### Article 156-3

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.

#### Article 156-4

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.

#### 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;
4. Multiple voting right or veto power over specific matters on the exercise of voting power;
5. Any prohibition or restriction regarding special shareholders' rights of being elected as directors and/or supervisors or rights of electing a certain amount of seats of directors;
6. Number, method or formula for special shares to be converted into common shares;
7. Restrictions on transfer of special shares; and
8. Other matters concerning rights and obligations incidental to special shares.

Special shareholders with multiple voting right as referred to in Item Four of the preceding paragraph shall have the same voting right as common shareholders for the election of supervisors.

The following special shares shall not apply to a public company:

1. Special shares referred to in Item Four, Five and Seven of the preceding paragraph.
2. Special shares to be converted into multiple common 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

A public 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.  
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 in charge of securities affairs 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 of not less than NT\$ 240,000 but not more than NT\$ 2,400,000; 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 may be enforced successively each time against any further violation thereafter until the time when the issuance of share certificates is effected as required.

#### Article 161-2

For the shares to be issued by a company, the issuing company may be exempted from printing any share certificate for the shares issued.  
A company not printing its share certificate in accordance with the provision of the preceding paragraph shall register the issued shares with a centralized securities depositary enterprise and follow the regulations of that enterprise.  
The transfer and creation of pledge for the shares registered with a centralized securities depositary enterprise shall be handled by the company or by way of book-entry transfer; Article 164 of this Act and Article 908 of the Civil Code shall not apply.  
The preceding paragraph shall not apply to shares printed but not returned to the company.

#### Article 162

A company issuing and printing shares shall assign its share certificates with serial numbers, shall indicate the following particulars on such share certificates, and the share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws 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. For shares with par value, the total number of shares and share price; for shares with no par value, the total number of shares.
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 competent authority in charge of securities affairs.

Article 162-1

(Deleted)

Article 162-2

(Deleted)

Article 163

Unless as otherwise provided for in this Act, 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.

Article 164

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.

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

(Deleted)

Article 167

Subject to the provisions otherwise set out in Article 158, Article 167-1, Article 186, Article 235-1 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.

Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive shares in accordance with the provision of Paragraph Two, may be specified in the Articles of Incorporation.

#### 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.

Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive share subscription warrant in accordance with the provision of Paragraph One, may be specified in the Articles of Incorporation.

#### 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 its 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; and
  4. 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.

### 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.

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.

For a public company, 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. In case a public company 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. The cause(s) or subject(s) of a meeting of shareholders to be convened shall be indicated in the individual 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, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, 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 and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

The director representing the company who fails to comply with Paragraphs One, to Three and the preceding paragraph shall be imposed with a fine in an amount of not less than NT\$ 10,000 but not more than NT\$ 50,000; for a public company, the director representing the company shall be imposed by the competent authority in charge of securities affairs with a fine in the amount of not less than NT\$240, 000 but not more than NT\$2,400,000.

#### 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 acceptance of proposal in writing or by way of electronic transmission, 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.

Unless any of the following circumstances is satisfied, the board of directors of the company shall include the proposal submitted by a shareholder in 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;
2. 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;
3. Where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals; and
4. Where the said proposal containing more than 300 words or more than one matters in a single proposal as provided in the proviso of Paragraph One.

A shareholder proposal proposed under Paragraph One for urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors.

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 Two, Four or 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; for a public company, the responsible



person of a company shall be imposed by the competent authority in charge of securities affairs with a fine in the amount of not less than NT\$240,000 but not more than NT\$2,400,000.

#### Article 172-2

A company may explicitly provide for in its Articles of Incorporation that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.

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

The preceding two paragraphs shall not apply to a public company.

#### 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 total number of outstanding shares of the company may, after obtaining an approval from the competent authority, convene a shareholders' meeting.

#### Article 173-1

Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may convene a special shareholders' meeting.

The calculation of the holding period and holding number of shares in the preceding paragraph shall be based on the holding at the time of share transfer suspension date in accordance with Paragraph Two or Three of Article 165.

#### 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. 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 175-1

Shareholders of a company may reach a voting agreement in writing to jointly exercise their voting rights or may form a voting trust where the voting trustee will exercise the voting power based upon the terms and conditions stated in such a written voting trust agreement.

A voting trust cannot be set up as a defense against the company unless the written voting trust agreement referred to in the preceding Paragraph, the name or title, office, residence or domicile of each shareholder, and the total number, kind and amount

of shares transferred to the voting trust have been delivered to the company for registration 30 days prior to a shareholders' meeting or 15 days prior to a special shareholders' meeting.

The two preceding paragraphs shall not apply to a public company.

#### Article 176

(Deleted)

#### Article 177

A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy. However, a public company shall comply with the provisions otherwise stipulated by the competent authority in charge of securities affairs.

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

A company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in the shareholders' meeting notice the method of exercising their voting power. However, a public company satisfied with the conditions in terms of company's scale, shareholder number, shareholder structure and other essential factors stipulated by the competent authority in charge of securities affairs shall 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 respect 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 otherwise provided for in this Act, 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.  
A proposal for doing any of the acts specified in Paragraph One 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.

#### Article 187

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. A company may choose not to have the board of directors but to have one or two directors. For a company with only one director, such director shall be the chairman and the functional duties and powers of the board of directors of such company shall be exercised by such director, and the provisions governing the board of directors as set out in this Act shall not apply to such company. The provisions governing the board of directors as set out in this Act shall apply *mutatis mutandis* to a company with two directors.

For a public company, if the percentage of shareholdings of all the directors selected in accordance with Paragraph One 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 15-2 and Article 85 of The Civil Code shall not apply to the disposing capacity set forth in Paragraph One 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 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. However, a public company satisfied with the conditions in terms of company's scale, shareholder number, shareholder structure and other essential factors stipulated by the competent authority in charge of securities affairs shall adopt such candidates nomination system and such adoption shall be expressly stipulated in the Articles of Incorporation of the company.

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 describe the name, education background and past work experience of the director candidates.

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 roster of director candidates submitted by a shareholder fails to describe the name, education background and past work experience of the director candidates.

The company shall, no later than 25 days prior to the scheduled meeting date of a regular shareholders' meeting or no later than 15 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 published in a public notice; for a public company, such a public notice shall be published 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.

The responsible person or other authorized conveners of a company who violates the provisions set out in Paragraph Two 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; for a public company, the responsible person or other authorized conveners of a company shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

#### Article 193

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 193-1

A company may obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

A company shall report the insured amount, coverage, premium rate, and other important contents of the directors liability insurance it has obtained or renewed for directors, at the most recent board meeting.

#### 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

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.

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.

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

I. 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.

II. 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

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.

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

Where all directors of a company are re-elected, 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. The aforesaid 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

The first meeting of each term of the board of directors shall be convened by the director who received a ballot representing the largest number of votes at the election of directors 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 One or the preceding Paragraph of this Article, then the majority or more of the directors elect may convene the meeting on their own.

#### Article 203-1

Meetings of the board of directors shall be convened by the chairman of the board of directors.

The majority or more of the directors may, by filing a written proposal setting forth therein the subjects for discussions and the reasons, request the chairman

of the board of directors to convene a meeting of the board of directors. If the chairman of the board of directors fails to convene a meeting of board of directors within 15 days after the filing of the request under the preceding paragraph, the proposing directors may convene a meeting of board of directors on their own.

#### Article 204

In calling a meeting of the board of directors, a notice shall be given to each director and supervisor no later than 3 days prior to the scheduled meeting date. However, where there is any longer days required in the Articles of Incorporation, such longer days shall prevail.

The time limit on giving a notice to the directors and supervisors for convening a meeting of board of directors in a public company shall be prescribed by the competent authority in charge of securities affairs and the preceding paragraph shall not apply to a public company.

In the case of emergency, a meeting of the board of directors may be convened at any time.

The notice set forth in the preceding three Paragraph may be effected by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof. In calling a meeting of the board of directors, a notice shall set forth therein the subject(s) to be discussed at the meeting

#### 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 company may explicitly provide for in its Articles of Incorporation that if it is agreed by all directors, any action to be taken at a meeting of the board of directors may be taken, without a meeting, by written consents to exercise their voting power.

A meeting of the board of directors held in accordance with the preceding paragraph shall be deemed to have been convened; the directors who exercise their voting power by written consents shall be deemed to have attend the meeting in person.

The preceding two paragraphs shall not apply to a public company.

#### 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. 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.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

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 competent 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 shareholder service 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, transcribe and to make copies of the Articles of Incorporation and accounting books and records referred to in the preceding paragraph; if the Articles of Incorporation and accounting books and records are kept in a shareholder service agent, the company shall make such agent to provide with the access.

The director representing a company who violates the provisions set out in Paragraph One hereinabove by not making the Articles of Incorporation and accounting books and records available shall be imposed with a fine of not less than NT\$ 10,000 but not more than NT\$ 50,000; for a public company, the director representing a company shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

The director representing a company who violates the provisions set out in Paragraph Two by refusing the inspection, transcription or copying of relevant information or fails to make the shareholder service agent to provide with the access without good cause shown shall be imposed with a fine of not less than NT\$ 10,000 but not more than NT\$ 50,000; for a public company, the director representing a company shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

Under the circumstances of the preceding two paragraphs, the competent authority or the competent authority in charge of securities affairs shall notify the company to rectify its law violating act within a given time limit; and if the company fails to take corrective action beyond the given time limit, the competent authority or the competent authority in charge of securities affairs shall continually notify the company to rectify its law violating act within a given time limit and impose the fine consecutively for each time of non-compliance until the law violating act is rectified.

#### Article 210-1

The board of directors or other authorized conveners of shareholders' meetings may require a company or its shareholder service agent to provide with the roster of shareholders.

The director representing a company who refuses to provide with the roster of shareholders shall be imposed with a fine of not less than NT\$ 10,000 but not more than NT\$ 50,000; for a public company, the director representing a company shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

A shareholder service agent who refuses to provide with the roster of shareholders shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

Under the circumstances of the preceding two paragraphs, the competent authority or the competent authority in charge of securities affairs shall notify the company to rectify its law violating act within a given time limit; and if the company fails to take corrective action beyond the given time limit, the competent authority or the competent authority in charge of securities affairs shall continually notify the company to rectify its law violating act within a given time limit and impose the fine consecutively for each time of non-compliance until the law violating act is rectified.

#### 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 the most recent 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 1% or more of the total number of the outstanding shares of the company over six months 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.

The shareholder(s) who initiate(s) the action in accordance with the preceding paragraph may temporarily be exempted from paying the portion of the court costs in excess of NT\$600,000 if the amount of court costs collected is more than NT\$ 600,000.

In the action initiated in accordance with the provision of Paragraph Two, the court may, on motion, appoint an attorney as an advocate for the plaintiff.

#### 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 competent 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 One and Paragraph Four regarding the disposing capacity of 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 in its Articles of Incorporation for election of supervisors, the provisions set out in Paragraphs One to Six of Article 192-1 of this Act shall apply *mutatis mutandis*. The responsible person or other authorized conveners of a company who violates the provisions set out in Paragraphs Two, Five or Six of Article 192-1 as apply *mutatis mutandis* in the preceding paragraph shall be imposed with a fine of not less than NT\$10,000, but not more than NT\$50,000; for a public company, the responsible person or other authorized conveners of a company shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

#### 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.

#### Article 218

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, inspect, transcribe or make copies of 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.

The director representing a company who violates Paragraph One by evading, impeding, or refusing 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; for a public company, the director representing a company shall be imposed with a fine by the competent authority in charge of securities affairs of not less than NT\$240,000 but not more than NT\$2,400,000.

Under the circumstances of the preceding paragraph, the competent authority or the competent authority in charge of securities affairs shall notify the company to rectify its law violating act within a given time limit; and if the company fails to take corrective action beyond the given time limit, the competent authority or the competent authority in charge of securities affairs shall continually notify the company to rectify its law violating act within a given time limit and impose the fine consecutively for each time of non-compliance until the law violating act is rectified.

#### 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 in their behalf.

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

In addition 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 228-1

A company may explicitly provide for in its Articles of Incorporation that the surplus earning distribution or loss off-setting proposal may be proposed at the close of each quarter or each half fiscal year.

The proposal of surplus earning distribution or loss off-setting for the first three quarters or half fiscal year, together with the business report and financial statements, shall be forwarded to supervisors for their auditing, and afterwards be submitted to the board of directors for approval.

A company distributing surplus earning in accordance with the provision of the preceding paragraph shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.

A company distributing surplus earning in the form of new shares to be issued by the company in accordance with the provision of Paragraph Two shall follow the provisions of Article 240; if such surplus earning is distributed in the form of cash, it shall be approved by a meeting of the board of directors.

Surplus earning distribution or loss off-setting proposal by a public company in accordance with the provisions of the preceding four paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.

#### 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 with the financial statements and records and the resolutions set forth in Paragraph One hereinabove or to allow him to transcribe or 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

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.

A company shall not pay dividends or bonuses, if there is no surplus earnings. 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 the 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 this Act, distribution of the dividends and bonuses shall be effected in proportion to the number of shares held by each shareholder accordingly.

#### Article 235-1

A fixed amount or ratio of profit of the current year distributable as employees' compensation shall be definitely specified in the Articles of Incorporation. However, the company's accumulated losses shall have been covered.

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 a fixed amount or ratio of profit distributable as employees' compensation has been definitely specified in the Articles of Incorporation.

A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the preceding two paragraphs distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

A company which has the profit distributed to employees in the form of shares by a resolution of the meeting of board of directors in accordance with the provision of the preceding paragraph may resolve, at the same meeting of the board of directors, to distribute the shares by way of new shares to be issued by the company or existing shares to be re-purchased by the company.

Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash in accordance with the provisions of Paragraphs One to Three, 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 paid-in 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 of not less than NT\$20,000 but not more than NT\$100,000.

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 surplus profit distributable as dividends and bonuses in whole or in part 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 represent is required by the Articles of Incorporation of the company, such higher threshold shall prevail.

Except for a company whose shares are issued to the public and which is subject to the provisions otherwise stipulated by the competent 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.

A public company may explicitly stipulate in the Articles of Incorporation to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote 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

Where a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting as required in Paragraphs One to Three of 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.

The provisions set out in Paragraph Four and Paragraph Five of the preceding Article shall be applicable *mutatis mutandis* to the capitalization of reserves to be effected under the preceding Paragraph.

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 one per cent of total number of the outstanding shares of a company for a period of six months or longer may apply to the court, together with reasons and supporting evidence, and explain the necessity for appointment of inspector to inspect, within the necessary scope, the current status business operations, the financial accounts, the property, particular items, document and record of a particular transaction 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 evades, impedes, or refuses 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. If the inspection is still evaded, impeded, or refused or the supervisor still fails to convene a meeting of shareholders as ordered by the court, the above fine shall be imposed consecutively for each time of non-compliance.

#### 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 of a public company shall not exceed the net remainder of all assets in hands of the company after deducting all liabilities. The total amount of unsecured corporate bonds shall not exceed one-half of the aforesaid net remainder.

Article 248  
When a company plans to issue corporate bonds, an application setting forth therein the following particulars shall be filed with the competent 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 competent 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 competent authority in charge of securities affairs.

Issue of corporate bonds, convertible bonds, or corporate bonds with warrants 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.

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.

In the event of any change in any of the particulars declared under the preceding Paragraph, the company shall file to the competent 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 competent authority in charge of securities affairs.

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.

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.

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 248-1

A company issuing convertible bonds or corporate bonds with warrants to specific creditors in accordance with the provision of the preceding paragraph shall be approved by the meeting of the board of directors as provided for in Article 246 and by the resolution of shareholders' meeting. However, a public company shall comply with the provisions otherwise stipulated by the competent authority in charge of securities affairs.

#### 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.

#### Article 256

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 the director representing a company, and they shall be certified by the bank which is competent to certify bonds under the laws.

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

(Deleted)

#### 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 the issued bonds with a centralized securities depository enterprise and follow the regulations of that enterprise.

The transfer and creation of pledge for the corporate bonds registered with a centralized securities depository enterprise shall be handled by the company or

by way of book-entry transfer; Article 164 of this Act and Article 908 of the Civil Code shall not apply.

The preceding paragraph shall not apply to bonds printed but not returned to the company.

#### 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 Item 19 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 therefrom.

#### 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.

A holder of bearer corporate bond certificates shall not attend a meeting of corporate bondholders referred to in Paragraph One unless he/she shall have deposited his/her bond certificates with the company five days before the meeting.

#### 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 Four.

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.

Qualification requirements of employees, including the employees of parent s or subsidiaries of the company meeting certain specific requirements, entitled to receive shares in accordance with the provision of Paragraph One, may be specified in the Articles of Incorporation.

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 235-1, Article 262, or Paragraph I, Article 268-1 of this Act.

A company 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 public 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.

Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive restricted stock for employees in accordance with the provision of Paragraph Nine, may be specified in the Articles of Incorporation.

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 three 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 competent 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 competent 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 Items One to Three, Six and Eight of Paragraph One, 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 competent 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 competent authority in charge of securities affairs for correction. The responsible person of the company who fails to apply for such correction shall be imposed a fine by the competent authority in charge of securities affairs 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 by a company 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 bound 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 therefrom. 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 and Paragraph One of 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 competent 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.

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 competent 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

(Deleted)

#### 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. 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 therefrom to such shareholder.

Responsible persons of the company who violate the provision of Paragraph One pertaining to the time limit for notice 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;
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;
3. Labor unions; or
4. Two-third or more of the Employees of a company.

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.

The labor unions referred to in Item Three, Paragraph One denote the following labor unions:

1. Corporate union;
2. The industrial union whose members are joined by more than one half of employees employed by the company.
3. The professional union whose members are joined by more than one half of employees with the same professional skills employed by the company.

The employees referred to in Item Four, Paragraph One shall be calculated based on the employee number of the roster of labor insurance of the company at the date of applying for reorganization.

#### 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 through 7 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, creditors, labor unions or employees employed by the company, 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, composition, 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 288

(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 court 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 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. In case of failure to declare as provided for in the preceding paragraph 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. Rights of shareholders of the company shall be based on records in the shareholders' roster.

#### 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 the 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 one 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
9. 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 279 and 281 governing the period of time for serving notice and making public announcement of and restrictions on the reduction of capital;
3. The provisions of Article 268 to 270 and Article 276 governing issue of new shares;
4. The provisions of Article 248 to 250 governing issue of corporate bonds;
5. The provisions of Article 128, Article 133, Article 148 through 150, and Article 155 governing incorporation of companies; or
6. 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; 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.

### 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 null 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 matters 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.

#### Article 324

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 paragraph<sup>1</sup>, 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; however<sup>1</sup>, 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 preceding 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 Paragraphs Two and Four of Article 172, Paragraphs One to Five of Article 183, Paragraph Two of Article 298; and Article 123 of the Bankruptcy Law shall apply mutatis

mutandis to special liquidation.

The convener of the creditors' meeting who violates Paragraph Two of Article 172 as applied mutatis mutandis in the preceding paragraph, or Paragraphs One, Four or Five of Article 183 as applied mutatis mutandis in the preceding paragraph shall be imposed with a fine of not less than NT\$10,000 but not more than NT\$50,000.

#### 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.

#### Article 346

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.

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.

#### Article 350

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 amount 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; and
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.

### Section 13 Close Company

#### Article 356-1

A close company is a non public offering company whose shares shall be held by not more than 50 persons, and whose Articles of Incorporation shall impose restrictions on transfer of shares of a company.

The central competent authority shall as necessary in view of the socio-economic situation and the actual needs increase the number of shareholders referred to in the preceding Paragraph; the method of calculation and scope of qualification of

the shareholders shall be prescribed by the central competent authority.

#### Article 356-2

A close company shall explicitly describe its nature of "closeness" in its Articles of Incorporation and the central competent authority shall make such a nature public on its information website.

#### Article 356-3

A close company shall be formed by the agreement of all promoters and the promoters shall fully subscribe in the first issue of the total number of shares. Equity capital to be contributed other than cash by the promoters may be in the form of assets required in the business of a close company, technical know-how, or service, provided, however, that equity capital to be contributed by service shall not exceed a certain percentage of the total shares issued by a close company. The certain percentage set forth in the preceding Paragraph shall be prescribed by the central competent authority.

Equity capital to be contributed by technical know-how or service shall be agreed by all shareholders, and the kinds, amount of such capital contribution and the number of shares allotted to the subscriber by a close company shall be explicitly described in its Articles of Incorporation; the competent authority shall register such particulars in accordance with the Articles of Incorporation and shall make such particulars public on its information website.

The provisions of Article 198 shall apply mutatis mutandis to the election of directors and supervisors by the promoters in a close company, unless otherwise provided for in the Articles of Incorporation.

Articles of 132 through 149 and Articles 151 through 153 shall not apply to the formation of a close company.

The provision of Article 198 shall apply to the election of directors and supervisors in the shareholders' meeting of a close company, unless otherwise provided for in the Articles of Incorporation.

#### Article 356-4

A close company shall make no public offering of any of its securities, provided, however, that this provision shall not apply to the crowd-funding portal operated by securities businesses approved by the competent authority in charge of securities affairs.

The proviso to the preceding Paragraph shall still be subject to the restrictions on the number of shareholders and transfer of shares imposed by the Articles of Incorporation set forth in Article 356-1.

#### Article 356-5

The restrictions on transfer of shares shall be explicitly described in the Articles of Incorporation of a close company.

The restrictions on transfer of shares set forth in the preceding Paragraph shall be conspicuously annotated on a close company's printed share certificates; if a company does not issue shares, an assignor shall state such restrictions on the relevant written documentation delivered to the assignee. The assignee referred to in the preceding Paragraph may request the company to deliver a copy of its Articles of Incorporation.

#### Article 356-6

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#### Article 356-7

Where a close 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, no voting right, multiple voting right, or veto power over specific matters on the exercise of voting power by special shareholders;
4. Any prohibition or restriction regarding special shareholders' rights of being elected as directors and/or supervisors or rights of electing a certain amount of

seats of directors and supervisors;  
5. Number, method or formula for special shares to be converted into common shares;  
6. Restrictions on transfer of special shares; and  
7. Other matters concerning rights and obligations incidental to special shares.  
Paragraph Two of Article 157 shall not apply to multiple voting rights of special shareholders as set forth in Item Three of the preceding paragraph.

#### Article 356-8

A close company may explicitly provide in its Articles of Incorporation that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.

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

A close company may explicitly provide in its Articles of Incorporation that if it is agreed by all its shareholders, any action to be taken at a shareholders' meeting may be taken, without a meeting, by written consents to exercise their voting power.

A shareholders' meeting held in accordance with the preceding Paragraph shall be deemed to have been convened; the shareholders who exercise their voting power by written consents shall be deemed to have attend the meeting in person.

#### Article 356-9

Shareholders of a close company may reach a voting agreement in writing to jointly exercise their voting rights or may form a voting trust where the voting trustee will exercise the voting power based upon the terms and conditions stated in such a written voting trust agreement.

The trustee referred to in the preceding Paragraph shall be a shareholder unless otherwise provided for in its Articles of Incorporation.

A voting trust cannot be set up as a defense against the close company unless the written voting trust agreement referred to in the first Paragraph, the name or title, office, residence or domicile of each shareholder, and the total number, kind and amount of shares transferred to the voting trust have been delivered to the company for registration 30 days prior to a regular shareholders' meeting or 15 days prior to a special shareholders' meeting.

#### Article 356-10

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#### Article 356-11

A private placement of corporate bonds by a close company shall be adopted by a majority of directors at a meeting attended by two-thirds or more of the total number of directors.

A private placement of convertible corporate bonds or corporate bonds with warrants by a close company shall be adopted by both the resolution of a meeting of board of directors set forth in the preceding Paragraph and the resolution of a shareholders' meeting, provided, however, if the provisions of its Articles of Incorporation require no resolution of a shareholders' meeting, such provisions shall govern.

The restrictions on number of shareholders and transfer of shares imposed by the Articles of Incorporation set forth in Article 356-1 shall still apply after the holders of corporate bonds exercising their conversion rights or warrants. The provisions of Article 246, Article 247, Paragraph 1 and Paragraphs 4 through 7 of Article 248, Article 248-1, Articles 251 through 255, Article 257-2, Article 259, and Paragraph 1 of Article 257 regarding certification of corporate bonds shall not apply to the issuance of corporate bonds provided in Paragraph 1 and Paragraph 2 of this Article.

#### Article 356-12

The issuance of new shares of a close company shall be adopted by a majority of directors at a meeting attended by two-thirds or more of the total number of directors, unless otherwise provided for in its Articles of Incorporation. Paragraphs 2 through 4 of Article 356-3 shall apply mutatis mutandis to the

contribution of equity capital for subscribing new shares. In addition, such contribution can also be made in the form of monetary credit extended to the close company .

Article 267 shall not apply to the issuance of new shares referred to in Paragraph 1 of this Article.

#### Article 356-13

A close company may voluntarily change its status into a non close 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.

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 Paragraph are specified in the Articles of Incorporation of a close company, such stricter criteria shall govern.

In any event that a close company fails to meet the requirements set forth in Article 356-1, the company shall change its status into a non close company and shall apply for a necessary alteration registration in respect of such change accordingly.

If a close company fails to apply for an alteration registration in accordance with the preceding Paragraph, the competent authority may order it to rectify such violation within a given time limit and impose successively in each case a fine based on Paragraph Five of Article 387; where the violation is of a severe nature, the competent authority may, ex officio, order the dissolution of a company.

#### Article 356-14

A non public offering company may change its status into a close company by the unanimous consent of its shareholders.

After the unanimous consent of its shareholders provided in the preceding Paragraph, the company shall immediately notify each of its creditors and make a public announcement.

### CHAPTER VI (Deleted)

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#### 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 shares or 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 or 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.

A 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 competent authority in charge of securities affairs.

### CHAPTER VII Foreign Company

#### Article 370

A foreign company which establishes its branch office in the territory of Republic of China shall translate its name into Chinese and indicate the class to which it belongs as well as its nationality.

#### Article 371

A foreign company without making branch office registration may not conduct its business operation in the name of a foreign company in the territory of the Republic of China.

A person who violates 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 therefrom, or shall be jointly and severally liable therefor, in case there are two or more violators. In addition, the company shall be enjoined by the competent authority from using its foreign corporate name.

#### Article 372

A foreign company which establishes its branch office in the territory of the Republic of China shall appropriate funds exclusively for its operation of business therein and shall designate a representative to serve as its responsible person in the territory of the Republic of China.

Where the responsible person of a foreign company in the territory of the Republic of China refunds the funds under the preceding paragraph to the foreign company or such funds are withdrawn by the foreign company at will after the registration of the branch office, the responsible person shall 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 NT\$ 500,000 but not more than NT\$ 2,500,000.

Under any of the circumstances set forth in the preceding paragraph, the responsible person of a foreign company in the territory of the Republic of China shall be liable, jointly and severally with the foreign company, for the damages to be sustained by the third party or parties therefrom.

Upon conviction of the punishment set out in Paragraph Two hereinabove, the central competent authority shall cancel or nullify the 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 before the judgment becomes final.

After the responsible person, agents, employees or other personnel of the branch office of a foreign company have been convicted the crime of Offenses of Forging Instruments or Seals in the Chapter of the Criminal Code in filing an application for registration of its company incorporation or other company alterations, the central competent authority shall, ex officio or upon an application filed by an interested party, cancel or nullify such registration of the said company.

#### Article 373

A foreign company shall not be registered as a branch office 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 items or document of registration application filed by it is found false.

#### Article 374

A foreign company which establishes its branch office in the territory of the Republic of China shall keep a copy of its Articles of Incorporation in the branch office. In case there are shareholders of unlimited liability, a roster of such shareholders shall also be kept.

The responsible person of a foreign company in the territory of the Republic of China who violates the provision set forth in the preceding paragraph shall be 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

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#### Article 376

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#### Article 377

The provisions of Article 7, Article 12, Paragraph One of Article 13, Articles 15 to 18, Paragraphs One to Four of Article 20, Paragraphs One and Three of Article 21, Paragraph One of Article 22, and Articles 23 to 26-2 shall apply mutatis mutandis to a foreign company which establishes its branch office in the territory of the Republic of China.

The responsible person of a foreign company in the territory of the Republic of China who violates Paragraph One or Two of Article 20 as applied *mutatis mutandis* in the preceding paragraph shall be imposed with a fine of not less than NT\$10,000 but not more than NT\$50,000; such person who violates Paragraph Four of Article 20 as applied *mutatis mutandis* in the preceding paragraph by evading, impeding or refusing the examination or failing to make the submission thereof after expiry of the deadline date shall be imposed with a fine of not less than NT\$20,000 but not more than NT\$100,000.

The responsible person of a foreign company in the territory of the Republic of China who violates Paragraph One of Article 21 as applied *mutatis mutandis* in the Paragraph One by evading, impeding or refusing the examination shall be imposed with a fine of not less than NT\$20,000 but not more than NT\$100,000. If the examination is still evaded, impeded, or refused, a fine of not less than NT\$40,000 but not more than NT\$200,000 shall be imposed consecutively for each time of non-compliance.

The responsible person of a foreign company in the territory of the Republic of China who violates Paragraph One of Article 22 as applied *mutatis mutandis* in the Paragraph One by refusing to present evidential documents, vouchers, books and statements and other relevant information shall be imposed with a fine of not less than NT\$20,000 but not more than NT\$100,000. Any further refusal shall be imposed with a fine of not less than NT\$ 40,000 but not more than NT\$ 200,000 for each successive refusal.

#### Article 378

A foreign company which establishes its branch office in the territory of the Republic of China and which desires to cease conducting business therein, shall apply to the competent authority for nullifying the registration of the branch office; 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 competent authority shall, *ex officio* or upon an application filed by an interested party, nullify the branch office registration of a foreign company in the territory of the Republic of China:

1. The foreign company has been dissolved;
2. The foreign company has been declared bankrupt; or
3. The branch office of a foreign company in the territory of the Republic of China has satisfied one of the Items listed in Article 10.

The aforesaid nullification of the registration under the preceding paragraph shall in no way impair the rights of creditors and the obligations of the foreign company.

#### Article 380

A foreign company which cancels or nullifies all of its branch offices in the Territory of the Republic of China shall complete liquidation of its business within the territory of the Republic of China or right and obligation incurred by its branch offices. Any outstanding obligation shall still be discharged by such foreign company.

The aforesaid liquidation shall be undertaken, unless a liquidator is otherwise designated by the foreign company, 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, managerial officer of its branch office or the designated

liquidator 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.

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Article 384  
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Article 385  
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Article 386

A foreign company which, having no intention to set up a branch office to transact business within the territory of the Republic of China, has not applied for branch office registration, but designates a representative for establishing an representative's office in the territory of the Republic of China, shall file a registration application with the competent authority.

If a foreign company has no intention to continuously set up the representative's office after the establishment of such office, it shall apply for nullification of the registration with the competent authority.

If there is vacancy of the representative in the representative's office or the office moves to an unknown place, the competent authority shall, ex officio, order the foreign company to designate a representative or change the location of the office within a certain time limit; if the foreign company still fails to do so after expiry of the deadline date, the competent authority may nullify the registration of the representative's office.

## CHAPTER VIII Registration and Recognition of Companies

### Section 1. Application

Article 387

Regulations governing the deadline date, the documents and statements submitted and other relevant matters for various registration application under this Act shall be prescribed by the central competent authority.

The registration application referred to in the preceding paragraph may be made by the way of electronic transmission; regulations governing its implementation shall be prescribed by the central competent authority.

An agent may be appointed for the application set out in the provisions of the preceding two paragraphs and such agent shall be limited to a certified public accountant or a lawyer.

The responsible person of a company or the responsible person of a foreign company in the territory of the Republic of China who fails to file the application beyond the appropriate deadline date specified in the regulations to be prescribed under Paragraph One hereinabove shall be imposed with a fine of not less than NT\$ 10,000 but not more than NT\$ 50,000.

Subject to the provision set out in Paragraph One hereinabove, the competent authority shall further order the responsible person of a company or the responsible person of a foreign company in the territory of the Republic of China to rectify his law violating act within a given time limit; and if he fails to take corrective action after expiry of the time limit, he shall be imposed with a fine of not less than NT\$ 20,000 but not more than NT\$ 100,000 for each time of non-compliance until the law violating act is rectified.

Article 388

In case various 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.

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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  
The competent authority may issue certificates of matters contained in various company registration.

Article 392-1  
A company may apply for registration of corporate name in a foreign language to the competent authority and the authority shall register such foreign name in accordance with the foreign name indicated in the Articles of Incorporation.  
The competent authority may, by application, under one of the following circumstances, order a company to change its registration within a certain time limit, after the foreign corporate name is registered in accordance with the provision of the preceding paragraph; if the company fails to change its registration after expiry of the given time limit, the competent authority shall cancel or nullify the registration of the foreign name of that company:

1. A foreign corporate name is identical with the foreign name which is registered or approved by pre-registration enquiry by another export/import firm prior to the registration of such foreign corporate name under the trade regulations. This restriction is also applicable in case the registration of such export/import firm has been canceled, withdrawn or nullified for less than two years;
2. A foreign corporate name has been enjoined from using by a final court decision; or
3. A foreign corporate name is identical with the foreign name of a government agency or public welfare organization.

The kinds of foreign languages set forth in Paragraph One shall be prescribed by the central competent authority.

Article 393  
The responsible person of a company or any interested person may, with reasons stated, apply for an access to examine, transcribe or make copies of the contents of various company registration records or documents in file; provided, however, that the authority may refuse such application or may set up a limitation of the information or data to be examined by the applicant, if necessary.

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 to examine, transcribe or make copies thereof:

1. The name of the company; the foreign corporate name if it is indicated in the Articles of Incorporation;
2. The scope of business of the company;
3. The location of the company; the location of branch office, if any;
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;
8. Whether there are special shares with multiple voting right or veto power over specific matters;
9. Whether there are special shares issued under Item Five, Paragraph One of Article 157 or Item 4, Paragraph One of Article 356-7; or
10. 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 9 of the preceding Paragraph; it is also applicable to Item 10, if agreed by the company.

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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,

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Section 2. Fees

Article 438

Upon approving the various application filed by any person in accordance with this Act for pre-registration enquiry, registration, examination, transcription or making copy of company name and scope of business, or requesting for certification of the company information registered, the competent authorities shall charge the applicant an examination fee; regulations governing the items of fees, the amounts of fees and other matters shall be prescribed by the central competent authority.

Article 439

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CHAPTER IX Supplemental Provisions

Article 447

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Article 447-1

Bearer shares issued by a company before the effectiveness of the amended articles of this Act on July 6, 2018 shall still apply to the articles prior to such effectiveness.

A company shall change the bearer shares set forth in the provision of the preceding paragraph into registered shares when the holders of bearer shares

exercise their shareholders' rights.

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, Article 383 amended on June 25, 1997, Section 13 of Chapter 5 amended on July 1, 2015, Articles amended on July 6, 2018 to be decided by the Executive Yuan, and the articles amended on May 27, 2009 to be in force on November 23, 2009.

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Data Source : Ministry of Economic Affairs R.O.C.(Taiwan) Laws and Regulations Retrieving System