

Content

Title :	Regulations Governing Independent Certified Public Accountant Auditing the Registered Capital Amount of Companies Ch
Date :	2018.11.08
Legislative :	<ol style="list-style-type: none">1.Promulgated on March 6, 20022.Amended on February 5, 20093.Amended on July 6, 20094.Amended on July 14, 20095.Amended on March 29, 20116.Amended on June 25, 20137.Amended on September 2, 20158.Amended on November 1, 2018
Content :	<p>Article 1 These Regulations are enacted pursuant to Paragraph 3 of Article 7 of the Company Act.</p> <p>Article 2 When applying for registration of incorporation or registration of corporate changes for a merger, split-up, acquisition, share conversion, share exchange, or increase or reduction of the paid-in capital, a company shall bind together and submit to a certified public accountant ("CPA") for auditing a statement of change of paid-in capital and the following documents, depending on the nature of the case:</p> <ol style="list-style-type: none">1. Statement of shareholders' capital contributions in cash;2. Statement of capital contributions by claims;3. Statement of capital contributions by properties;4. Statement of capital contributions by service.5. Statement of allotment of shares through capitalization of dividends and bonuses and statement of appropriation of earnings;6. Statement of allotment of shares through capitalization of legal reserve;7. Statement of allotment of shares through capitalization of capital reserve and statement of sources of capital reserve;8. Statement of allotment of shares after merger (if any shares are cancelled due to a merger, a statement of cancellation of shares after the merger shall also be included);9. Statement of allotment of shares after a split-up, and the types and amounts of assets and liabilities of the demerged portion of the demerged company as of the date immediately before the recordation date;10. Statement of allotment of shares after acquisition;11. Statement of allotment of shares after share exchange;12. Statement of allotment of shares after share conversion;13. Statement of conversion of shares from convertible corporate bonds or share subscription warrants; and14. Statement of capital reduction. (In the event of capital reduction as a result of a split-up, the types and amounts of the assets and liabilities of the demerged portion of the demerged company as of the date immediately before the recordation date shall also be included. This is not required in the case of buying-back of shares for capital reduction.) <p>In the case of a company, the statements specified in Subparagraphs 1, and 5 to 14 of Paragraph 1 of this Article shall apply only to its directors, supervisors or shareholders that hold more than 10 percent of the total shares. For those shareholders holding less than 10 percent of the total shares, statements with consolidated information are acceptable.</p> <p>In the case of a publicly traded company, if all the equity capital is contributed by issued shares according to special laws, the statements specified in Subparagraph 3, Paragraph 1 of this Article shall only apply to its directors, supervisors or shareholders that hold more than 10 percent of</p>

the total shares. For those shareholders holding less than 10 percent of the total shares, statements with consolidated information are acceptable. The company's seal and the responsible person seal or signature of the responsible person shall be affixed to the statement of change of paid-in capital amount and the other documents under the first Paragraph. The seal of the company and the seal or signature of the responsible person representing the company shall be affixed to the statement of change of paid-in capital and documents to be submitted. In the case of buying-back of shares for capital reduction in accordance with Article 28-2 of the Securities and Transaction Act, the audit by a CPA is not required.

Article 3

With regard to the documents listed under Paragraph 1 of the previous Article, the company shall prepare and attach relevant documents in accordance with the following:

1. Statement of shareholders' capital contributions in cash: The statement shall indicate the names of the shareholders, the dates and amounts of share contributions, and the dates and bank account information where the contributions are deposited. The photocopies of deposit slips, or in the absence of such deposit slips, photocopies of bankbooks, statements of accounts or inquiry sheets shall also be attached. If the company opened a special bank account to collect all the contributions, it may replace the photocopies of the deposit slips, the bankbooks, the statement of accounts or the inquiry sheets with the special account deposit contract (or the contract entrusted for the collection of contributions) and the certificate of collection of all the contributions issued by the bank (or photocopies of bankbooks). In the event of any inconsistency between the bank deposits and the accounting books, a reconciliation statement shall be prepared. Where any contributions have been utilized, a statement of capital utilization affixed with the corporate seal of the company and the seal of the responsible person or signature of the responsible person of the company indicating the purpose shall be additionally submitted. If necessary, the competent government authorities may require the company to submit photocopies of certificates of primary utilizations. If any contributions are transferred into term deposits, any pledge, termination of contract or assignment, if any, shall be specified.
2. Statement of capital contributions by claims: The statement shall indicate the names of the shareholders, reasons for and dates of incurrence of the claims, the amounts of the incurred claims, and the amount of contributions by claims, bearing the signatures or seals of the creditors with their consent and attached with the primary documents to prove the incurrence of the claims. Where any contributions have been utilized, a statement of capital utilization affixed with the corporate seal of the company and the seal of the responsible person or signature of the responsible person of the company indicating the purpose shall also be submitted. If necessary, the competent government authorities may require the company to submit photocopies of certificates of primary utilizations. If any contributions are transferred into term deposits, any pledge, termination of contract or assignment, if any, shall be specified.
3. Statement of capital contributions by properties: The statement shall indicate the names of shareholders, the types, quantities, prices or criteria for appraising the prices of the properties, and the shares or certificates allotted by the company. If any technology, stock or other property is contributed, the relevant property shall be specified as having been registered in the name of the company in accordance with the law before the date of incorporation or the capital increase recordation date. However, if there is no registration requirement in accordance with the law, such property shall be specified as having been delivered to the company before incorporation or the capital increase recordation date. If any stock is contributed, the criteria for appraising the price shall be specified.
4. Statement of allotment of shares through capitalization of dividends and bonuses, legal reserve, capital reserve, merger, split-up, acquisition, or share exchange, share conversion, statement of capital reduction, or statement of conversion of shares from convertible corporate bonds or shares subscription warrants: The

statement shall indicate the names of the shareholders, the amounts and the dates.

5. Statement of capital contributions by service: The statement shall indicate the names of shareholders, the amount of such capital contribution prescribed in the Articles of Incorporation, and the shares or certificates allotted by the company. For any equity capital of a close company to be contributed with technologies or service, a written consensus of the shareholders shall also be submitted.

Article 4

When a CPA is engaged to audit the capital for a company's incorporation registration or amendment registration of merger, acquisition, share exchange, share conversion or increase or decrease of paid-in capital, the CPA shall verify whether the paid-in capital amount in the statement of change of capital and the attached documents prepared by the company in accordance with Article 2 are correct.

The CPA shall submit the audit report after auditing the documents set forth in the preceding paragraph.

Article 5

When applying for registration of branch office incorporation in the Republic of China, registration of increase or reduction of its working capital in the Republic of China, a foreign company shall prepare a statement of change of working capital, affixed with the corporate seal of the branch office and the seal of the responsible person in the Republic of China, or signature of the responsible person in the Republic of China and submit to the CPA to audit.

The CPA shall submit the audit report after auditing the documents set forth in the preceding paragraph.

Article 6

When applying for registration of incorporation, increase or reduction of working capital in the Republic of China, a profit seeking enterprise of Mainland Area shall prepare a statement of change of working capital affixed with the corporate seal of the branch office and the seal of the litigious and non-litigious agent in the Republic of China to audit.

The CPA shall attach the audited statement of change of working capital in accordance with the previous paragraph to the audit report. If the application is for branch registration or an increase of its working capital in the Republic of China, photocopies of bank passbooks, bank statements, or inquiry sheets shall also be attached.

Article 7

The audit report issued by the CPA engaged to audit and certify a company's incorporation registration or change registration of merger, split-up, acquisition, share exchange, share conversion or increase of paid-in capital shall indicate the source of the contributions (cash, monetary claims, technologies, service, stock certificates, other types of property, dividends and bonuses, legal reserve, capital reserve, merger, split-up, acquisition, share exchange, share conversion, restricted employee entitlement to new shares), the issuing prices, the number of shares being issued, and the capital amount.

In the case of shares issued at a premium or discount, the issued amount per share and the accounting treatment shall be specified. The total number of shares issued and the capital amount before and after the capital increase shall also be specified.

The CPA engaged to audit and certify the registration of capital amount under the previous Paragraph shall audit the following matters:

1. In the event of capital contributions in cash: The status of contributions shall be examined; where the payments have been deposited in a bank, the deposit certificates shall be verified; where the payments are made by bills, whether these bills have been honored shall be verified; where the payments are made by monetary claims against the company, whether the reasons for incurrence of such claims is truthful shall be verified; where any contributions have been utilized, a statement shall be prepared explaining the purpose of utilization and the relevant certificates shall be verified; and where the contributions have been deposited as time deposits, whether there is any pledge, cancellation of contract, or assignment shall be verified.

2. Where contributions are made through technologies, stock certificates or other types of property: The names of the shareholders, the types, quantities, prices or criteria for appraising the prices of the property, and the shares or certificates allotted by the company shall be verified.
3. Where contributions are made through technologies and other properties: Except for companies invested in by foreigners or overseas Chinese, the CPA shall obtain opinions of relevant institutions, organizations or experts on the appraised prices and evaluate whether their opinions should be adopted and verify whether the relevant property has already been registered under the name of the company according to the law prior to incorporation or the recordation date of increase of its capital; however, for those properties not legally required to be registered, whether the relevant property has already been delivered to the company before the incorporation or the recordation date of increase of its capital should be verified.
4. Where contributions are made through share certificates of another company: The CPA shall verify whether the appraisal is carried out in accordance with the following:
 - (1) Shares issued by a company that is not listed on the Taiwan Stock Exchange, not traded on the Gre Tai Securities Market, or not Emerging Stocks, may be appraised based on the net worth of the company on the date of evaluation.
 - (2) Emerging Stocks may be appraised based on the average trading price of such stocks on the date of evaluation; however, if there is no trading price of such stocks on such a date, the appraisal shall be based on the average trading price of the last day preceding the date of evaluation; in the event of severe fluctuation of the price, the price shall be appraised based on the average trading price for the 30-day period before the date of evaluation.
 - (3) Shares issued by a listed company or a company traded on the Gre Tai Securities Market may be appraised based on the closing price of such shares on the date of evaluation. Where there is no transaction price of Emerging Stocks on the date of evaluation, the price shall be appraised based on the closing price on the last transaction day before the date of evaluation; in the event of severe fluctuation of the price of such Emerging Stocks, the price shall be appraised based on the average trading price for the 30-day period before the date of evaluation. Where there is no transaction price of shares issued by a listed company or a company traded on the Gre Tai Securities Market on the date of evaluation, the price shall be appraised based on the closing price on the last transaction day before the date of evaluation; in the event of severe fluctuation of the price of such shares, the price shall be appraised based on the average of the closing prices for the 30-day before the date of evaluation.
 - (4) The date of evaluation under the previous three Subparagraphs shall fall within the two months prior to the recordation date.
5. In the event of capitalization of dividends and bonuses: Whether the appropriation of earnings meets the applicable provisions under the Company Law in accordance with the Articles of Incorporation, the financial statements and the proposal for appropriation of earnings ratified by the shareholders' meeting (or by consensus of the shareholders) shall be verified.
6. In the event of capitalization of legal reserve: Whether the amount of capitalization and the calculation of the appropriated amounts meets the applicable provisions under the Company Law in accordance with the minutes of the shareholders' meeting (or the consensus of the shareholders) shall be verified.
7. In the event of capitalization of capital reserve: Whether the type, source and contents thereof comply with the applicable provisions of the Company Law and whether the converted amount is consistent with the minutes of the shareholders' meeting (or the consensus of the shareholders) shall be verified.
8. In case of a merger: The CPA shall verify the names of shareholders, the respective number of shares to be issued and related matters according to the Company Law, the Business Mergers and Acquisitions Act and other applicable legislations, the minutes of shareholders' meetings and board meetings (or the consensus of directors or the shareholders) and the merger contract. The accounting treatment adopted shall also be stated.
9. In case that new shares are to be issued in a split-up: The CPA shall verify the names of shareholders, the respective number of shares to be issued and related matters according to the Company Law, the Business Mergers

and Acquisitions Act and other applicable legislations, the resolutions of the shareholders' meetings and board meetings (or the consensus of directors) and the split-up plan. The accounting treatment adopted shall also be stated.

10. In the case that new shares are to be issued in acquisition: The CPA shall verify the names of shareholders, the respective number of shares to be issued and related matters according to the Company Law, the Business Mergers and Acquisitions Act and other applicable legislations, the resolutions of the shareholders' meetings and board meetings (or the consensus of directors) and the acquisition contract. The accounting treatment adopted shall also be stated.

11. In the case that new shares are to be issued in share exchange: The CPA shall verify the names of shareholders, the respective number of shares to be issued and related matters according to the Company Law, the Business Mergers and Acquisitions Act and other applicable legislations, the resolutions of the shareholders' meetings and board meetings (or the consensus of directors) and the share exchange contract. The accounting treatment adopted shall also be stated.

12. In the case that new shares are to be issued in share conversion: The CPA shall verify the names of shareholders, the respective number of shares to be issued and related matters according to the Company Law and other applicable legislations, the resolutions of the shareholders' meetings and board meetings (or the consensus of directors) and the share conversion contract. The accounting treatment adopted shall also be stated.

The CPA shall verify the number of shareholders when being requested to certify the capital amount of a close company in accordance with the preceding paragraph. In case of capital contributions with technologies or service, written consensus of the all shareholders, the type and amount of such capital contribution prescribed in the Articles of Incorporation, and the shares allotted by the company shall be verified submission of value appraisal report is not required. In regard to capital contributions by service, the names of shareholders and whether such contribution falls into the percentage announced by the competent authority shall also be verified.

Article 8

When a CPA is engaged to audit for a company's paid-in capital reduction registration, the audit report issued by the CPA shall state the reasons for the capital reduction (such as redemption or buying-back of shares for capital reduction, return of paid-in capital in cash for capital reduction, return of paid-in capital in kind for capital reduction, making-up losses by capital reduction, and capital reduction by split-up), the number of cancelled shares, and the amount of capital reduced, as well as the total number of shares issued and the total amount of capital before and after the capital reduction.

The CPA engaged to audit and certify the registration of capital amount under the previous Paragraph shall audit the following matters:

1. The names of shareholders and the number of cancelled shares set forth in the resolution of the shareholders' meeting or the board of directors meeting (or the consensus of directors or the shareholders).
2. In the event of a capital reduction by a split-up, the names of shareholders, the number of cancelled shares and other relevant matters in accordance with the Company Law, the Business Mergers and Acquisitions Act, the resolution of the shareholders' meeting and the split-up plan.

Article 9

Unless otherwise provided in these Regulations, a CPA's audit report shall contain the following particulars:

1. The name of the audited statement of change of capital (working capital) and attached documents and the date thereof.
2. The name of the company audited and its company uniform number; in the case of application for incorporation of a company, the company uniform number is not required.
3. The CPA's audit scope and his/her professional opinion.
4. Signature and seal of the CPA.
5. The date of auditing and certification.
6. The name, location and telephone number of the accounting firm.

The audit report issued by the CPA pursuant to the audit work performed in accordance with these Regulations shall include at least four sections. The first section shall

be the Introduction, stating the name of the statement of change of capital (working capital) and the attached documents audited and the date thereof and the responsibilities of the company and the CPA. The second section is the Scope, stating the scope and basis of the audit work. The third section is the Opinion, stating the results of the CPA's audit and the audit opinions issued. The fourth section is the Restricted Purpose, stating the purpose for the issuance of the report and the restrictions on its use.

The CPA engaged for the audit of a statement of change of paid-in capital shall prepare to record the audit work that was planned and performed in accordance with the regulations, which the competent government authorities may request for review at any time.

The audit documentation shall serve as proof as to whether the CPA has fulfilled his/her professional responsibilities, as well as the basis for the opinions that formed the audit report. The opinions, facts and figures included in the audit report shall be supported by substantial evidence provided in the audit documentation.

The date of auditing and certification as referred to in above Subparagraph 5, Paragraph 1 shall mean the date on which the audit is completed; provided that certification shall commence from after the financial instruction's business hours on the date of incorporation or the date of recordation for capital increase, capital reduction, merger or acquisition.

Article 10

These Regulations shall be enforced starting November 1, 2018.