

Title : Taipei Exchange Rules Governing Information to be Published in Prospectuses for Applications for Security Token Offerings for Over-the-Counter Trading

Date : 2020.01.20 (Amended)

Chapter I General Principles

Article 1

These Rules are prescribed in accordance with Article 30, paragraph 3 of the Securities and Exchange Act and Article 26, paragraph 2 of the Taipei Exchange Rules Governing the Operation by Securities Firms of the Business of Proprietary Trading of Security Tokens.

Article 2

The basic principles for preparing a prospectus are as follows:

1. The content of the prospectus shall be detailed, truthful, clear, and unambiguous. The wordings and descriptions shall be easy to understand. No false information or omission is allowed.
2. The content of the prospectus must be updated in a timely manner. All transactions or other events occurring before the printing of the prospectus which are sufficient to affect the judgment of interested parties shall be disclosed.

Article 3

On the front cover of the prospectus, the following particulars shall be printed in sequential order:

1. The name and seal of the company.
2. Where the prospectus is prepared for the purpose of a security token offering (STO): the name of the security token to be offered, the type (dividend token or debt token), quantity, issue price, amount of funding intended to be raised (if a soft cap is imposed, it shall be specifically explained), the terms and conditions of issuance, and redemption mechanisms. For the terms and conditions of issuance and redemption mechanisms, readers may be referred simply to the page numbers in the prospectus where these conditions and mechanisms are listed in full.
3. Summary of the purpose of the capital application plan and the projected possible effects/benefits. The page numbers in the prospectus where this is set forth in full shall also be noted.
4. If the STO will use blockchain, the company shall describe the underlying

technology to be used.

5. Fees and charges related to the STO:

A. Fees to be paid to the securities firm.

B. Other fees and charges, such as fees to be paid to certified public accountants (CPAs), information technology professionals, finance professionals, and attorneys, but no further itemization of the fees is required.

6. The following statements shall be printed in a conspicuous manner:

A. The content under subparagraphs 2 and 3 of this article.

B. This STO is exempted by the competent authority from the requirement of filing for effective registration. Furthermore, the development and utilization of securities token and blockchain technology are still in the innovation stage.

Investing in securities tokens entails relatively high risk and there is no guarantee of profitability. Before investing, the investor should pay close attention to and carefully read all content of this Prospectus, make investment decisions prudently, and pay attention to the relevant risks. The page numbers in the prospectus where these are set forth in full must be noted.

C. If there is any misrepresentation or concealment in the content of this Prospectus, the company and its responsible person and all other persons who have signed or affixed their seal on the prospectus shall be held liable in accordance with laws.

D. The website uniform resource locators (URLs) for enquiry about the prospectus, including the website URL of the securities firm trading platform and the website URL used by the company to disclose information relating to the Prospectus.

E. Restrictions on purchasers.

7. Publication date.

Article 4

The inside cover of the prospectus shall be printed with the following items relevant to the STO in sequential order:

1. Sources of paid-in capital before the STO, including any cash capital increase, capital increase through capitalization of retained earnings, capital increase through capitalization of capital reserve, capital increase in connection with a merger, and other sources of funds, and the respective ratios thereof to the paid-in capital amount.

2. Name, address, website URL, and telephone number of the securities firm.

3. Names and firm name, address, website URL, and telephone number of the

CPAs who attested the most recent annual financial report.

4. Names and organization name, address, website URL, and telephone number of the information technology professional(s).

5. Names and firm name, address, website URL, and telephone number of the financial professional(s).

6. Names and firm name, address, website URL, and telephone number of the attorney(s).

7. Names, titles, contact telephone numbers, and email addresses of the spokesperson and deputy spokesperson.

8. Company website URL.

Article 5

The back cover of the prospectus shall be stamped with the company seal and signed or sealed by the responsible person.

The CPAs, information technology professional(s), financial professional(s), attorney(s), and other professionals shall sign or seal the prospectus indicating their endorsement of the part for which they are responsible.

Article 6

The items required under these Rules shall all be included in the Prospectus, which shall also contain an index, page references and summary (Table 1). If any required content is not applicable or may be omitted pursuant to the TPEX's approval, the notation "N/A" or "omitted" shall be added after the relevant item.

If any required information would be repeated, it is permissible to note the information in just one place, and include an annotation referencing the page number of that place wherever else the information is required.

Chapter II Content

Section I Company Summary and Risks

Article 7

The section on company organization section shall include the following:

1. General manager, assistant general manager(s), deputy assistant general manager(s), and the manager of each department and branch institution: (Table 2)
 - A. Name, gender, nationality, work experience (educational background), amount and nature of shareholdings: specify the names; major work experience

(educational background); positions concurrently held with other companies; job commencement date; number of shares held by them, their spouses, minor children, and held through nominees; and acquisition of employee stock warrants.

B. For any such person who is the spouse of or is related to the general manager or assistant general manager within the second degree of kinship, specify the corporate position and name of, and their relationship to, the general manager or assistant general manager.

2. Directors and supervisors: (Table 3)

C. Name, gender, nationality or place of registration, work experience (educational background), amount and nature of shareholdings: specify the names; major work experience (educational background); positions concurrently held with this and other companies; appointment date and term; date of initial appointment; number of shares held by them at the time of appointment and those held presently by them, their spouses, minor children, and held through nominees, and professional knowledge they possess. In the case of the representative of a corporate shareholder, the name of the corporate shareholder and the names of its 10 largest shareholders and the shareholding percentages of each shall be noted. If any of those 10 largest shareholders is a corporate shareholder, the name of that corporate shareholder and the names of its 10 largest shareholders and the shareholding percentages of each shall be noted.

D. For any director or supervisor who is the spouse of or is related within the second degree of kinship to any other manager, director, or supervisor, specify the corporate position and name of, and their relationship to, the other manager, director, or supervisor shall also be specified.

Article 8

The section on risks shall include the following:

1. The following risk factors and relevant countermeasures shall be analyzed and evaluated:

A. Investment risk

a. The investor may suffer loss if the security tokens in which the investor invests are stolen through hacking.

b. The investor will not immediately be able to sell the security tokens, and will have to wait until the company issues and delivers the security tokens and begins making price quotations on the trading platform before trading may begin.

c. When investing in security tokens, there is no guarantee of a return on the investment.

- d. In the trading of security tokens, circumstances such as low liquidity, high price volatility, and halting or termination of trading may occur.
 - e. Causes may occur resulting in the termination of trading of the security tokens, in which events, the company will not be obligated to buy the security tokens.
 - f. There is risk that the investor may incur tax liabilities from investments in security tokens.
 - g. The STO by the issuer has not undergone any substantive examination.
 - h. The subscription and trading of security tokens by investors are exempted from the provisions of the Financial Consumer Protection Act and from some provisions of the Securities Investor and Futures Trader Protection Act.
 - i. The aggregate trading volume of purchases and sales of any security token on any single business day may not exceed 50 percent of the outstanding quantity of that security token.
 - j. Trades and transfers of securities tokens are required to be conducted on the trading platform designated in the STO, and no trades or transfers of those tokens may be conducted off of that trading platform.
- B. The risks of blockchain technology, if used.
- a. There is risk that the blockchain network or the security tokens may be hacked.
 - b. There are many known and unknown risks associated with blockchain technology and security tokens.
 - c. Major changes can be expected in the development of blockchain technology, and the extent of its acceptance in the market is unpredictable.
- C. Operational risk of the company
- a. Uncertainty exists as to whether the company will be able to continue its operations or generate operating profit in the future.
 - b. There is a possibility that the company may experience insufficient working capital, and need to obtain financing from a financial institution.
 - c. There is risk that the company may encounter attacks from network hackers or other information security problems.
 - d. The risk that the STO will not meet its funding target, impacting the implementation of the capital application plan, and countermeasures to be adopted.
 - e. The risk that the company will be unable to complete the plan due to impact from internal or external factors, and countermeasures to be adopted.
- D. Industry risk
- a. Intellectual property risks that the company may encounter.
 - b. Risk that the offering and trading of the security tokens may be subject to regulation or restrictions under the supervisory laws of Taiwan or other countries.

c. Risks arising from changes in the political or economic environment.

E. Other material risks.

2. Litigious and non-litigious matters:

A. If there has been or may possibly be any material impact on shareholders' equity or the prices of the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall disclose the facts in dispute, amount in dispute, litigation commencement date, main parties involved, and current status of the case.

B. If there has been or may possibly be any material impact on shareholders' equity or the prices of the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, major shareholder with a stake of more than 10 percent, or subsidiary company, and the matter was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall disclose the same information set forth in item A. hereinabove.

3. If a company director, supervisor, general manager, or a major shareholder with a stake of more than 10 percent has experienced financial difficulties or a loss in creditworthiness within the most recent 2 fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall note the effect on the company's financial status.

4. The prospectus shall note any other important matters.

Chapter III Supplementary Provisions

Section II Summary of Operations

Article 9

The description of the operations of the company shall include the following items:

1. Business content: specify the main line(s) of business operated by the company, its current products (or services), a summary of its industry, relations with enterprises upstream, downstream and at the same level within the industry, technical elements of the business operations, and a summary of research and development.

2. Summary of the market and sales: specify the uses of the company's main

products (or services), the territories where they are sold (or provided), and the ratio of domestic and export sales.

Section III Offering Plans and Implementation Status

Article 10

The section analyzing the capital application plans of past STOs shall include the following items:

1. The content of the plans: specify the content of the capital application plan for each past STO, including all past changes to the content of each such plan, the sources and usages of capital, the reasons for any changes, and the effects/benefits before and after the changes.
2. Implementation status: specify the status of implementation of each past STO plan and compare it with the originally projected effects/benefits. If the implementation progress or effects/benefits do not reach the projected target, a concrete explanation shall be given of the causes, the impact on shareholders' equity, and plans for improvements.

Article 11

The plan for the current STO shall specify the following items:

1. The name of the security token to be offered, the type (dividend token or debt token), quantity, issue price, amount of funding intended to be raised, the soft cap for the funding to be raised, and the maturity date for debt tokens.
2. Other rights attached to the security tokens in the current offering.
3. The future dividend distribution method or interest payment policy.
4. Explanation of the feasibility, necessity, and reasonableness of the current STO plan and its anticipated effects/benefits.
5. Explanation of the mechanism by which the issue price is set.
6. Capital utilization schedule and the effects/benefits anticipated to be obtained after the current plan is completed.
7. Redemption mechanism after issuance.
8. The specifications of the technology used and whether relevant certification has been obtained for the technology.

Section IV Financial Summary

Article 12

The section on "financial reports" shall include the following items:

1. The annual financial reports and CPA audit reports for the 2 fiscal years preceding the time when the company applies to issue the security tokens.
2. The company's annual parent company only financial reports for the most recent 2 fiscal years, audited and attested by a CPA, but not including the statements of major accounting items.

Article 13

The section on subsequent events and other significant events shall include the following:

1. Subsequent events: during the period from the time the CPA has issued the audit report for the most recent fiscal year until the printing date of the prospectus, if any matter of material significance occurs which is likely to impact financial condition or financial performance, it shall be properly disclosed and its impact explained.
2. Other matters.

Section V Special Items to be Included

Article 14

The special items to be included shall specify the important contents of the documents submitted, including:

1. Opinion of the information technology professional(s).
2. Opinion of the financial professional(s).
3. Attorney's legal opinion.
4. Any required additional disclosures that the securities firm has notified the company to make for the current STO.
5. Any other matters requiring additional explanation.

If the company, according to the nature of the business it operates, has engaged any professional(s) with professional expertise and abundant experience in an area such as technology, business, or finance, to carry out comparison and analysis and issue an opinion with respect to the current status of operations of the company and its future development after the current STO, the company shall disclose the assessment opinions of such professionals.

Chapter III Supplementary Provisions

Article 15

These Rules, and any amendments hereto, shall be implemented upon review and recordation by the competent authority. Any addition, deletion, or amendment to relevant attachments to these Rules shall be implemented after having been submitted to and approved by the TPEX president.