Notice: Compliance Promotion Regarding Insider Shareholding Changes and Regulatory Requirements

Date: January 16, 2025

Issued by: Board Secretariat

Dear Members of the Board,

Attached are the common types of violations regarding the reporting of changes in insider shareholdings as identified by the Taiwan Stock Exchange (TWSE). Please review these cases carefully and ensure compliance with the Securities and Exchange Act to avoid potential penalties.

I. Common Violations in Reporting Changes of Insider Shareholdings

1. Violations of Pre-transfer Reporting (Article 22-2 of the Securities and Exchange Act):

i. **Holding Period:** Selling shares on the centralized market before holding the position as an insider for at least six months.
ii. **Failure to Report:** Insiders (including their spouses, minor children, and those held under other names) failing to file a pre-transfer report before transferring shares.
iii. **Exceeding Limits:** Transferring more shares than the daily allowable limit on the centralized market, despite having filed a report.
iv. **Inconsistent Trading Methods:** The actual trading method differs from the reported method (e.g., reporting a "Manual Match" but executing via "After-hours Fixed Price").
v. **Small Amount Threshold:** Failure to report when the total daily transfers by the insider and their affiliates exceed 10,000 shares.
vi. **Timing Violations:** Selling shares before the 3-day waiting period after reporting, or failing to complete transfers to "specific persons" within 3 days of reporting.
vii. **Compulsory Sales:** Failure to report when shares are liquidated by financial institutions (margin calls) or sold via court auction.
viii. **Failure to Report Non-execution:** Failing to report the "reason for uncompleted transfer" within 3 days after the expiration of the projected transfer period.
ix. **Restricted Stock (RSA):** Failure to report when the company buys back or cancels restricted stocks due to unmet vesting conditions.

x. **Securities Lending:** Engaging in securities lending transactions of the company's own shares without proper reporting.

2. Violations of Post-transfer Reporting (Article 25 of the Securities and Exchange Act):

i. Insiders fail to report shareholding changes of their spouse, minor children, or shares held under another person’s name.
ii. Insiders fail to file post-reporting due to mistakes or omissions, not reflecting the actual shareholding status.
iii. Insiders correctly report their shareholding changes to the Company, but the Company’s stock administration (or its agent) fails to correctly file the report due to mistakes or omissions.
iv. Shares held by insiders, their spouse, minor children, or shares under another person’s name are liquidated by financial institutions or auctioned by courts, but no post-reporting is filed.
v. Insiders fail to immediately notify the Company after pledging their shares as collateral.
vi. After the Company is notified of pledged shares, it fails to file and publicly disclose the pledge within 5 days as required by regulations (including situations where insiders enter into unlimited-purpose loan contracts with securities firms using company shares as collateral, and fail to file and disclose the pledged shares within the statutory period).

II. Penalties and Recommendations

According to **Article 178** of the Securities and Exchange Act, violations of reporting requirements under Article 22-2 or Article 25 may result in fines ranging from **NT$240,000 to NT$4,800,000.**

Recommendation:

We strongly advise insiders to utilize the **"e-Passbook" (集保 e 手掌握) APP** provided by the Taiwan Depository & Clearing Corporation (TDCC). This tool allows for real-time tracking of shareholding changes, ensuring the accuracy and timeliness of regulatory filings.