

FAQs for TIB Listing Applicants

**Summarized by the Taiwan Stock Exchange
Corporation**

Instructions

1. This document (“FAQs for Applicants for TIB Listing”) is available for download on the TWSE website (<https://www.twse.com.tw/zh/>) at Home > Listed Companies > Listing on TIB > Promotion and reference materials.
2. The document was last updated on January 30, 2024.

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I. Introduction to the Taiwan Innovation Board

1. Why establish the Taiwan Innovation Board?

To fully support our government’s policies in promoting industry development as well as work in conjunction with the Six Core Strategic Industries set out in May 2020 and the FSC’s “Capital Market Roadmap” in December 2020, the Taiwan Stock Exchange (the TWSE) is developing a new board so as to strengthen the functions of the primary market, encourage companies with key technologies and innovative capabilities or business models to raise funds on the capital market, and encourage, support, and nurture the development of innovative businesses, thereby accelerating our industry transformation. To this end, the Taiwan Innovation Board (TIB) is established under the current centralized securities exchange market in accordance with the current legal framework of our securities exchange, and seeks to attract applicant companies that are startups or in the pharmaceutical industry researching and developing new drugs, and have key technologies, as well as innovative capabilities (in areas such as IoT, AI, big data, and other new applications) or innovative business models. TIB, whose listing standards primarily on market capitalization, considers the operational requirements and realities of various companies, establishes a comprehensive listing mechanism, and provides crucial support and guidance as companies continue to grow and thrive. The TWSE is dedicated to creating a competitive capital market ecosystem, assist new businesses in raising funds on the market, nurture them in their sound and speedy growth, and ultimately support the development of the real economy.

2. What are key technologies? What are innovation capabilities or

innovative business models? How should they be evaluated?

According to the Six Core Strategic Industries and the FSC’s “Capital Market Roadmap” in December 2020, listing standards which are primarily on market capitalization, have been established to assist startups or in the pharmaceutical industry researching and developing new drugs and have key technologies, as well as innovative capabilities (in areas such as IoT, AI, big data, and other new applications), or innovative business models to raise funds in the capital market and nurture them in their sound and speedy growth. The recommending underwriter may appoint an independent expert to issue an opinion in advance, and based on the expert opinion, provide an evaluation report to prove whether the applicant meets the listing standards for possessing key technologies, innovative capabilities, or innovative business models for the purpose of listing review.

In addition, according to Article 29 of the “TWSE Rules Governing Review of Securities Listings,” the recommending securities underwriter should issue an evaluation opinion on whether the applicant company meets the relevant listing standards.

II. Listing requirements and regulations

1. What are the regulations prior to applying to list on TIB?

According to the provisions of Article 2-1 of the TWSE Rules Governing Review of Securities Listings, “the TWSE will accept an initial application by a domestic issuer or foreign issuer for a first-time listing of stock on TIB only after that issuer has undergone listing advisory guidance by the lead securities underwriter or apply for registration of its stocks as emerging stocks and have them traded at the TPEX for at least 6 months. However, the listing advisory guidance period before registration as an emerging stock does not count towards the 6-month period.

However, domestic and foreign issuers that are subsidiaries of TWSE listed companies are not subject to this restriction if they meet the following conditions and are TWSE approved:

(1) The listed company has not been fined by the TWSE due to significant deficiency in its internal control system in the past year, and the CPA has issued an internal control special review report with an unqualified opinion on the supervision and management of the applicant company for the latest two quarters.

(2) The lead securities underwriter has submitted a "Material Financial and Business Incidents Checklist" to the TWSE in accordance with Article 2 of the "Rules Governing the Reporting of Basic Information of Advisory Client Companies by Securities Underwriters" from two months prior to the date of submission of the listing application, and with no material irregularities.

The advisory agreement between a domestic issuer or foreign issuer and the lead securities underwriter does not need to specify the

application for listing on TIB. If there is any change of the lead securities underwriter during the period of listing advisory guidance, the period shall again be for a full six months, beginning with the date on which the new lead securities underwriter files for the listing advisory guidance.

2. How long must a company be in existence before applying to list on TIB?

The regulations for duration of corporate existence of a company applying to list on TIB are as follows:

- A. Domestic issuer: It has been incorporated and registered under the “Company Act” for at least two years at the time of the application for listing.
- B. Foreign issuer: The applicant company or any of its subsidiaries has business records for two or more fiscal years.

3. What are the market capitalization and financial requirements?

The domestic or foreign issuer must meet one of the following criteria at the time of the application for listing:

- A. Market cap of not lower than NTD1.0 billion, with revenue of not lower than NTD 100 million for the aggregate for the last four quarters as stated in the financial reports, and must present proof of sufficient working capital for the 12 months following listing.
- B. Biotech and medical enterprises with a market cap of not lower than NTD 2.0 billion, and must present proof of 125% of sufficient working capital for the 12 months following listing. If the applicant company is in the pharmaceutical industry, its core product must have passed Phase I clinical trials.
- C. Market cap of not lower than NTD 4.0 billion, and must present proof of 125% of sufficient working capital for the 12 months following listing.

4. How is the market capitalization calculated for companies applying to list on TIB?

The market capitalization of a domestic issuer or a foreign issuer applying to the TWSE for listing and trading shall conform to the provisions of Article 29 of the “TWSE Rules Governing Review of Securities Listings” and Article 6-2 of the “Supplementary Provisions of the TWSE Rules Governing Review of Securities Listings”:

A. At the time of application for listing

The market capitalization, which refers to the value of the number of shares to be issued for listing as identified in the written application for listing, multiplied by the following stock price, whichever is lower, shall reach the required market cap for companies applying to list on TIB.

1. The offering price as mutually agreed with the securities underwriter.
2. For stocks registered as emerging stocks for trading on the TPEX, the average closing price on the 30th, 90th, or 120th business day prior to the day of applying for listing.

B. At the time of listing

The number of issued shares for listing by the domestic issuer or foreign issuer multiplied by the actual offering price shall reach the required market cap for companies applying to list on TIB.

Note: When a domestic issuer or a foreign issuer applies for listing on TIB and there are private placements of securities under Article 43-6, Paragraphs 1 and 2 of the “Securities and Exchange Act,” which have not yet been publicly issued in accordance with Article 68 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers ” or Article 59-1 of the “ Regulations Governing the

Offering and Issuance of Securities by Foreign Issuers," the ordinary shares of such private placements shall not be included in the calculation of market value at the time of both application for listing and actual listing.

5. How is the working capital for applying for listing on TIB calculated?

Domestic issuers and foreign issuers should refer to the format specified in Article 24 of the "Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses" and prepare each month's projected schedule of cash receipts and expenditures for the fiscal year of the registration and the coming first fiscal year after the scheduled listing (starting from the month following the listing).

The ending cash balance for the month of listing (i.e., the beginning cash balance of the month following the listing) plus the total amount of "non-financing income" and "net financing amount" for the 12 months starting from the following month of the listing should be equal to a certain percentage of the total amount of "non-financing expenses" for the 12 months starting from the following month of the listing. This should also comply with the relevant criteria set forth in Article 29, Paragraph 1, and Subparagraph 3 of the "TWSE Rules Governing Review of Securities Listings."

For example, if a company plans to be listed in September 2023, the calculation of working capital being sufficient or not will be as follows: the numerator is the sum of the "ending cash balance of September 2023 (i.e., the beginning cash balance of October)" plus the total amount of "non-financing income" and "net financing amount" from October 2023 to September 2024. The denominator is the total amount of "non-financing expenses" from October 2023 to September 2024.

To ensure consistency in calculating the working capital for application to TIB, the cash inflow items for " net financing amount" are limited as follows: (1) "Issuance of new shares": only cash capital increases that have been completed or are in progress before the printing date of the prospectus are included (including public sales before listing); (2) "Borrowing amount": only bank borrowing limits obtained before the printing date of the prospectus are included. Cash outflow items such as "debt repayment," "payment of dividends," and other financing items should be based on reasonable and appropriate estimates.

6. Are companies that adopt no par value or flexible par value eligible to apply for listing on TIB?

According to Article 29(1)(2) of the " Rules Governing Review of Securities Listings, the number of common shares issued must be at least 10 million at the time of application for listing. Therefore, companies with no par value or flexible par value that meet the aforementioned criteria are eligible to apply for listing on TIB.

Furthermore, taking into consideration international securities market norms and external feedback, the TWSE announced revisions on September 5, 2023, removing the TIB listing quantified requirements of ' the total issued shares of common stock must exceed NTD100 million. Instead, the focus has shifted to the "market capitalization" as the core listing requirement, as elaborated.

7. What are the standards for equity dispersion for applying for listing on TIB?

For a company to apply for listing on TIB, the total number of registered shareholders must be more than 50, and the combined shareholding of registered shareholders, excluding corporate shareholders holding over 50% of the company's shares, must account for 5% or more of the total issued shares or be equal to or greater than five million shares.

8. What is the rules for employee stock options, restricted stocks, or other employee compensation tools with potential equity dilution effects (ex. employee stock option plan)?

A. Prior to application for advisory guidance:

Regarding non-listing domestic or foreign issuers' employee stock options, restricted stocks, or other employee compensation tools with potential equity dilution effects (ex: employee stock option plan) issued prior to application for advisory guidance, the underwriters should evaluate carefully the reasonableness of the issuance plan, approval process, subscription prices, eligible employees, and actual subscriptions for each of the employee incentive plans. Where a stock option plan is still undergoing, the underwriters should evaluate the dilution effects on shareholder equity and engage CPAs to provide opinions, which should be considered in the calculation of the offering price. The information above should be disclosed fully in the prospectus.

B. After applying for and started receiving advisory guidance:

If it intends to issue employee stock options or restricted stocks,

(1) the domestic non-public offering company shall follow Section IV of the “Offering Regulations” ; (2) Foreign issuers shall follow Article 60 of the “Offering Regulations for Foreign Issuers” and have Section IV of “the Offering Regulations” apply mutatis mutandis to the process. If the aforementioned provisions are not followed, the applying company and underwriters should respectively explain and assess their reasonableness. If there is a significant risk of detrimental to the rights and interests of the shareholders, failures to comply with the regulations should be corrected and improvements completed before a listing application may be submitted.

C. When applying for listing:

The total number of shares available to employee stock options outstanding, restricted shares outstanding, and other employee compensation tools with potential equity dilution effects, should not exceed 15% of the total number of shares outstanding (as specified in Article 60-8 of the “Offering Regulations”). If this limit is exceeded, a commitment should be made to rectify and comply with the aforementioned provisions before listing.

9. How to submit the special audit report on internal control system when applying for listing on TIB?

A. Application for listing on TIB and retroactive handling of public issuance procedures (simplified public issuing)

When applying for listing on TIB and conducting a retroactive handling of public issuance procedures, applicants shall submit a special audit report on the internal controls system which were conducted and issued by two or more practicing Taiwan CPAs at a joint accounting firm for the last two quarters respectively. The

coverage period and audit scope of the above report are as follows:

1. Coverage period: According to the letter No. 11003350238 issued by the Financial Supervisory Commission on March 31, 2021, and the provisions of Article 6 of the "Procedures for Review of Securities Listings" and Article 4-1 of the "Procedures for Review of Foreign Securities Listings," they are as follows:

Submission Date	Coverage period
February to April	July 1 to December 31 of the previous year
May to July	From October 1 of the previous year to March 31 of the year of application.
August to October	January 1 to June 30 of the current year
November to January of the following year.	April 1 to September 30 of the current year.

For example,

Submission Date	Coverage period
2021.08~2021.10	2021.01.1~2021.6.30
2021.11~2022.01	2021.04.01~2021.09.30
2022.02~2022.04	2021.07.01~2021.12.31
2022.05~2022.07	2021.10.01~2022.03.31

2. Scope of Audit: The scope of the audit should be based on the characteristics of the industry to which the company belongs. In accordance with Article 7 of the Regulations Governing Establishment of Internal Control Systems by Public Companies, the auditor should evaluate the operating cycles and various control operations that are considered to be significant for both domestic and foreign issuers. The audit report should state the scope of the audit and the evaluation opinions. Additionally, the auditor should provide an opinion on the relevant operational

procedures for extending loans to others, granting endorsements or guarantees for others, acquiring or disposing of assets, engaging in derivative transactions, management of related party transactions, management of the preparation process of financial statements, plus supervision and management of subsidiaries. This opinion should be presented in a single separate paragraph in the audit report.

3. In the listing year, applicants, when submitting the hardcopies of the annual report, shall also publish the CPA special audit report of the previous year on the TWSE-designated information reporting website and file the hardcopy version. For example, if Company A was listed in December 2021, it must submit and deliver the written annual report and the CPA special audit report for the year 2021, 21 days before the 2023 shareholder meeting.

B. After listing

According to Article 34 of the "TWSE Rules Governing Review of Securities Listings," in the three fiscal years following the second year after listing, TIB-listed companies, when submitting the hardcopies of the annual report, shall also publish the CPA special audit report of the previous year on the TWSE-designated information reporting website and file the hardcopy version.

10. How should a company conduct the self-assessment of its internal control system and issue an internal control system statement when applying for listing on TIB?

When applying for listing on TIB, the issuer should evaluate its internal control system and issue an internal control system statement in

accordance with Article 21 of the " Regulations Governing Establishment of Internal Control Systems by Public Companies" to implement a self-monitoring mechanisms and enhance the internal audit department's audit quality and efficiency..

Furthermore, according to Article 29 of the same regulations, the time period covered by a special audit of a public company's internal control systems by CPAs shall generally be consistent with the time period covered in its internal control system statement. Considering that the self-assessment report is the main basis for the company's internal control system statement and the foundation for the special audit report issued by CPAs, the self-assessment period should cover the period of the special audit report issued by CPAs.

11. What are the regulations regarding public sales before listing on TIB and public sales before transferring from TIB to the general board?

A. Public sales before listing on TIB

Domestic issuers and foreign issuers applying for initial listing of its common stock on TIB shall allocate no less than 5% of the total number of shares to be listed, and no less than 800,000 shares (limited to common stock) for issuance of new shares. After deducting the number of shares to be retained for subscription by employees according to relevant laws and regulations (such as Article 267 of the "Company Act") or provisions in the company's articles of incorporation, domestic issuers and foreign issuers shall retain a securities underwriter to offer the balance of such allocated shares in full for sale to the public before the shares are listed (via methods such as book building, competitive bidding

auction and public subscription), by means of a cash capital increase through a new share issue in accordance with the provisions of Article 71, paragraph 1, of the “Securities and Exchange Act” concerning underwriting of securities on a firm commitment basis, with participation limited to qualified institutional investors. However, if this would require the allocation of 5 million shares or more for underwriting, the company may allocate a minimum of 5 million shares for public sale, limited to newly issued common stock.

The number of shares reserved for employees to subscribe shall not exceed 15% of the total shares issued through a cash capital increase. If the company is not listed on the Emerging Stock Board, the lead underwriter shall subscribe for 5%-15% of the total shares sold publicly.

Companies with no profit may reserve up to 50% of the quantity for external public sales and distribute them through negotiated sales, which are limited to qualified institutional investors, high net worth juristic person investors, and companies with strategic significance to the issuing company. The definitions of qualified institutional investors and high net worth juristic person investors are as follows:

1. The definition of qualified institutional investors is based on the “Financial Consumer Protection Act,” Article 4, and the No.: Jin-Guan-Fa-Zi 10901937381, including:
 - i. Domestic and foreign banks, securities firms, futures commission merchants, insurance companies, fund management companies, and government investment institutions.

- ii. Domestic and foreign government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service providers under the “Securities Investment Trust and Consulting Act, Futures Trading Act,” or “Trust Enterprise Act,” or entrusted investment assets received or transferred by financial consumers.
 - iii. Other institutions approved by the competent authority.
2. The definition of high net worth juristic person investors is based on the Taipei Exchange's "Regulations Governing the Operation of Securities Firms' Branches Engaging in the Trading of Derivative Financial Products," Article 6, Paragraph 1, Subparagraph 2. It refers to a corporate entity that applies in writing to a securities firm and simultaneously meets the following conditions:
 - i. Net worth exceeds NTD20 billion according to its latest CPA-audited or reviewed financial report.
 - ii. Has a dedicated investment unit, staffed by capable professionals and the person in charge of the unit possesses one of the following qualifications:
 - a. Has three years or more of work experience engaging in financial product investment business at a financial, securities, futures, or insurance institution.
 - b. Has four years or more of work experience related to financial product investment.
 - c. Possesses other academic or professional qualifications or experience sufficient to show that he or she has professional knowledge and management experience in financial product investment, and can soundly and effectively manage the business of an investment

department.

- iii. Holds securities position or derivatives product portfolios reaching NTD1 billion according to its latest CPA-audited or reviewed financial report.
- iv. Has an internal control system with suitable investment procedures and risk management measures.

B. Public sales before applying to be listed on the general board

For TIB-listed companies or TIB primary listed companies that have completed one year from the date of listing, and apply to be listed companies or listed primary companies on general board, before the listing on the general board, they shall allocate no less than 3% of the total shares to be listed (limited to common stock). After deducting the number of shares to be retained for subscription by employees according to relevant laws and regulations or provisions in the company's articles of incorporation, domestic and foreign issuers shall retain a securities underwriter to offer the balance of such allocated shares in full for sale to the public before the shares are listed (via methods such as book building, competitive bidding auction, or public subscription), by means of a cash capital increase through a new share issue in accordance with the provisions of Article 71, paragraph 1, of the Securities and Exchange Act concerning underwriting of securities on a firm commitment basis, with participation no longer limited to qualified institutional investors. However, if this would require the allocation of 6 million shares or more for underwriting, the company may allocate a minimum of 6 million shares for public sale

Additionally, for companies applying for transfer, the total allocation ratio of publicly offered shares, including the shares

allocated from the initial TIB public offering, should be at least 10%. However, if this would require the allocation of 20 million shares or more for underwriting, the company may allocate a minimum of 20 million shares for public sale

- C. The methods of public sales before listing shall be conducted in accordance with the "Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms."

12. What are the regulations regarding lockup of shares for domestic issuers or foreign issuers applying to list on TIB?

Regulations regarding lockup of the shares on TIB are as follows:

	Initial listing on TIB	Transfer from TIB to the general board
Applicable to	1. The directors, presidents, core technicians, and shareholders holding 5% or more of the total issued shares of the company. However, this shall not apply to directors and shareholders of government authorities, government-owned enterprises, or which have obtained an approval from the authority in charge of the enterprise concerned for the sale of the shares held by them and have been determined to be inappropriate to place such shares in central custody.	1. The directors and shareholders holding 10% or more of the total issued shares of the company. 2. For technology-based enterprises or cultural and creative enterprises: The directors, shareholders holding 5% or more of the total issued shares of the company, and shareholders employed at the company who uses patent rights or professional technical skills as investment

	Initial listing on TIB	Transfer from TIB to the general board
	<p>2. “Core technicians” refer to research and development supervisors, technical operation supervisors, or shareholders employed at the company who uses patent rights or professional technical skills as investment capital.</p> <p>3. Juristic person obtaining IPO shares at TIB through negotiated sales.</p>	<p>capital and who holds 5% or more of the total issued shares of the company at the time of its application to list, or 100,000 shares or more.</p> <p>3. For companies applying as a technology-based enterprise: The presidents, research and development supervisors, and personnel listed in the preceding item.</p>
Number of lockup shares	<p>1. All of the number of shares held by each of the persons specified by the issuing company in the application for listing, deducted those offered for public sale (including those prescribed below), shall be placed in central custody.</p> <p>A. New shares that were acquired through a cash capital increase during the period starting on the date of the initial application for listing to the listing date, and have completed</p>	<p>All of the number of shares held by each of the persons specified by the issuing company in the application for transferring to the general board , the sum of which shall not be less than a certain ratio, deducted those offered for public sale (including those prescribed below), shall be placed in central custody. (Please refer to items 1 A~C in the left column.)</p>

	Initial listing on TIB	Transfer from TIB to the general board
	<p>registration change.</p> <p>B. Shares held for other reasons.</p> <p>C. Those who have not yet received their shares by the listing date, shall promise to place said shares, upon their acquisition, into central custody.</p> <p>D. The old shares submitted by the directors and shareholders of the issuing company for oversubscription through the securities underwriter but not actually sold during the oversubscription process and the old shares returned to the directors and shareholders by the securities underwriter.</p> <p>2. In addition, companies with a paid-in capital of at least NTD 10 billion and the total number of its shares required to be placed in central custody is assessed to exceed 50 percent of the</p>	

	Initial listing on TIB	Transfer from TIB to the general board
	<p>issued shares of the issuing company may substitute evidentiary documents furnished by the financial institution for shares required to be placed in central custody.</p>	
Expiration of lockup period	<p>The company applying for listing may withdraw one-fourth of the shares placed in central custody only after the end of a six-month period starting from the listing date thereof, and may further withdraw one-fourth of the shares every six months afterwards. All the shares may be withdrawn in full after the end of a two-year period starting from the listing date thereof.</p> <p>Additionally, the stocks allocated to investors through negotiated sales shall be placed under central custody for one-year, and may be withdrawn one-fourth of the shares every six-months after listing.</p>	<ol style="list-style-type: none"> 1. For the individuals who have already placed their shares in the central custody when a company initially lists on TIB, their lockup periods shall be calculated continuously when they transfer to the general board. 2. For new shareholders who meet the requirements for lockup of shares, the lockup period shall be recalculated. 3. The lockup period is as follows: <ol style="list-style-type: none"> (1) For companies who meet profitability requirements and are transferring to the general board, the company may withdraw all shares placed in central custody after the end of a six-month period

	Initial listing on TIB	Transfer from TIB to the general board
		<p>starting from the listing date thereof.</p> <p>(2) For companies that meet alternate listing requirements or are technology-based enterprises, cultural and creative enterprises, and agriculture biotech enterprises transferring to the general board, the company may withdraw one-half of the shares placed in central custody only after the end of a six-month period starting from the listing date thereof, and all the shares may be withdrawn in full after the end of a one-year period starting from the listing date thereof.</p>

13. When a TIB (primary) listed company applies for conversion to a TWSE (primary) listed company, is it necessary to obtain approval from the board of directors or shareholders' meeting?

For domestic issuers and foreign issuers applying for listing, a copy of the board of directors' or shareholders' meeting resolution on the listing should be submitted in accordance with the attachments listed in the listing application. Additionally, according to Article 42, Subparagraph 1, Item 42 of the "TWSE Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities," when a TIB (primary) listed company resolves in the board of directors' or shareholders' meeting to apply for transfer of listed shares to the general board or becomes aware of the result of the aforementioned review, it should promptly disclose the material information in accordance with the regulations.

14. What is the listing review procedure for TIB-listed companies applying to transfer listed shares to the general board?

In accordance with Article 7-1 of the "TWSE Procedure for Review of Securities Listings" and Article 4-1 of the "Operational Procedures for the Review of Foreign Securities for Listing by the TWSE," TIB-listed companies applying for conversion to TWSE (primary) listed companies shall be subject to document review and exempted from review by the Review Committee.

15. Can biotech and medical enterprises apply to list on TIB in accordance with Item 2, Subparagraph 3, Paragraph 1, Article 29 of the TWSE Rules Governing Review of Securities Listings?

TIB listing standards, whose listing criteria primarily focuses on market

capitalization, followed by revenue or working capital, can be divided into three categories. Category 1 is for small-scale enterprises that generate operating revenues, with a market capitalization of not lower than NTD 1.0 billion; Category 2 targets biotech and medical enterprises with a market capitalization of not lower than NTD2.0 billion (if the applicant company is in the pharmaceutical industry, its core product must have passed Phase I clinical trials); and Category 3 is for large-scale enterprises with a market capitalization of not lower than NTD4.0 billion. (For more details, see 4. How is the market capitalization calculated for companies applying to list on TIB?)

Taking reference from Article 4 of the "Act for the Development of Biotech and Pharmaceutical Industry" by the Ministry of Economic Affairs, the biotech and pharmaceutical industry refers to the industry that deals in New Drugs, New Dosage Forms, High-Risk Medical Devices, Regenerative Medicine, Precision Medicine, Digital Medicine, Innovative Technology Platforms Dedicated to Biotech and Pharmaceutical Industry and Other Strategic Biotech and Pharmaceutical Products used by human beings, animals and plants.

For the biotech or medical enterprise applying for TIB :

- A. If it involves the research, development, manufacturing, or contract manufacturing of medical devices, drugs, or formulations, and has a product on the market for sale or there are associated revenues from core products or technologies of a new drug research company that have been licensed, said enterprise may apply to list on TIB through Category 1 or Category 2. The company should also examine whether it meets the regulations' requirements for market capitalization, operating revenue, and working capital, respectively.
- B. If it only deals in the research and development of new drugs, said

enterprise may only apply to list on TIB under Category 2 once a core product in research and development has passed Phase I of clinical trials.

The term "has passed" the Phase I clinical trial refers to the submission of the Phase I clinical trial application by a new drug research company to the regulatory authority, and upon its review and approval, the company is allowed to conduct the trial. (i.e., the regulatory authority does not object to proceeding with the next phase of the core product's clinical trial).

III. Trading Mechanism

1. TIB Trading is limited to qualified investors. What is the criteria for qualified investors?

As investment risk is relatively high with many innovative enterprises still in development, trading in TIB stocks is limited to qualified investors so as to ensure investor protection while supporting new businesses.

In accordance with the provisions of Article 79-2 of the "Operating Rules of the TWSE," securities firms may only accept orders to purchase TIB securities from qualified investors and TIB companies buying back their own shares in accordance with the law. The term "qualified investor" means an investor that meets one of the following criteria:

- A. A professional institutional investor or a juristic person with one or more years of experience in securities trading and investment.
- B. Legally incorporated venture capital enterprises.
- C. Juristic person obtaining IPO shares at TIB through negotiated sales.
- D. A natural person with two or more years of experience in securities investment and meeting one of the following criteria:
 1. The person has a financial statement of NTD2 million or more.
 2. The person has an average annual income of NTD1 million or

more over the most recent two fiscal years.

For TIB listed companies that have established an "Employee Stock Trust," it is customary in practice for the participating trustees (the company and employees) of the Employee Stock Trust to sign an Employee Stock Trust Agreement and open a dedicated account. The trustee (trust institution) will then carry out transactions and transfer TIB stocks through the dedicated account based on relevant instructions. Therefore, when a securities broker is entrusted to purchase TIB stocks, they should verify whether the trustee (trust institution) of the Employee Stock Trust qualifies as an eligible investor (professional institutional investor) under the aforementioned operational rules. If they meet the qualifications, the buying and selling of TIB stocks can proceed.

2. Do qualified investors who purchase TIB stocks for the first time need to sign a risk disclosure statement?

According to the Taiwan Stock Exchange letter No. 1110200537 dated February 10, 2022, starting from February 10, 2022, only a qualified investor who is a natural person is required to sign a Risk Disclosure Statement for TIB Securities and the explanation and disclosure regarding the aforementioned Risk Disclosure Statement is required before a brokerage firm accepts said investor's consignment.

3. How is the qualification of having a minimum of NTD2 million "financial proof" determined for natural person to be classified as qualified investors?

Reference can be made to the provisions of Articles 10, 11, and 14 of the "Self-Disciplinary Rules for Securities Business Association Members in Conducting Entrusted Trading Business, Understanding Clients, Credit Checking, and Quota Management." The proof of financial statement

mentioned also includes Article 11, Section 1, Subsection 4, which states, "Other documents deemed sufficient to prove their financial capacity as assessed by the securities firms themselves." Furthermore, Article 10, Section 3 of the same regulation states, "The proof of financial statement provided by the client may be provided by the client themselves, their spouse, parents, or adult children who own the assets. However, if the owner of the assets is not the proof provider, the asset owner should provide a declaration of joint and several liability guarantee."

If the investor's financial statement does not meet the above standards, the knowledge or experience can be substituted for the financial standards. This includes the investor's account opening period in the centralized trading market, account maintenance rate, experience in investing in other financial products, and annual trading volume exceeding a certain amount. In addition to the proof of financial statement, if there is a desire to include other conditions, it falls under the scope of the " Self-Disciplinary Rules for Securities Business Association Members in Conducting Entrusted Trading Business, Understanding Clients, Credit Checking, and Quota Management."

4. What are the provisions for regular review of qualified investors?

The TWSE has stipulated in the "Standards for Internal Control Systems of Securities Firms" CA-11210 (Entrusted Trading and Transaction Operations) that securities firms engaging in the entrusted buying of stocks listed on TIB should establish appropriate control mechanisms and verification procedures for qualifying and regularly reviewing the clients. These measures should be implemented and records should be retained.

In addition, securities firms should set the frequency of regular reviews in their internal control systems based on risk management

considerations. It is recommended to refer to Article 18 of the "Self-Disciplinary Rules for Securities Business Association Members in Conducting Entrusted Trading Business, Understanding Clients, Credit Checking, and Quota Management," which states that clients with daily trading amounts exceeding NTD10 million should have their credit information updated annually. Furthermore, according to Article 6 of the "Taipei Exchange Regulations Governing Over-the-Counter Trading of Financial Derivatives by Securities Firms," securities firms shall re-review at least once a year to examine whether the customer continues to qualify as a professional customer. Relevant internal control regulations should be established accordingly.

5. How does the trading mechanism differ for TIB stocks and stocks listed on the general board?

The trading system for TIB securities are as follows:

		Stocks listed on the general board	TIB stocks
Regular trading hours		Order placing hours: 8:30 to 13:30 Order matching: 9:00 to 13:25; 13:30	
Trading units		1,000 shares	
Matching methods	Opening session	Call auction	
	Intraday trading	1. In principle, continuous trading 2. In cases when the intraday volatility interruption is triggered, matching for that stock is postponed for two minutes; afterwards, that stock will resume trading with a call auction.	
	Closing session	Call auction	
Daily price fluctuation limit	IPO	1. There will be no price fluctuation limit imposed for the five trading days beginning from the listing date, and the minimum price shall be	

		Stocks listed on the general board	TIB stocks
		one cent. 2. Starting on the sixth day of listing, there is a 10% fluctuation limit, which is 10% above or below the auction reference price at market opening for the given day.	
	Transfer from TIB to the general board	1. Auction reference price at market opening of the transferring day is used to determine the daily price fluctuation limits. 2. The fluctuation limit is 10 percent above and below the auction reference price at market opening for the given day.	/
Day trading		Allowed	Not allowed
Margin trading		Allowed	<u>Allowed</u>
Securities borrowing and lending		Allowed	<u>Allowed</u>
Odd lot trading		Intraday odd lot trading: Allowed After-hour odd lot trading: Allowed	Intraday odd lot trading: Not allowed After-hour odd lot trading: Allowed
After-hours fixed-price trading		Allowed	Allowed
Block trading		Allowed	Allowed
Auction and bidding		Allowed	Allowed
Omnibus trading account		Allowed	Allowed

6. What are the stock codes and abbreviations for TIB listed securities?

The coding principles for stocks listed on the Innovation Board are the same as those for publicly traded companies.

For TIB securities abbreviations, domestic issuers are annotated with "-創", while foreign companies are annotated with "-KY 創".

7. When a domestic issuer or foreign issuer applies for TIB listing, if existing shareholders do not meet the qualifications of qualified investors, are they still allowed to continue holding the shares? Can they participate in the cash capital increase subscription before the initial listing?

Trading of stocks listed on TIB is limited to qualified investors. If existing shareholders do not meet the qualifications of "qualified investors," they are allowed to continue holding the shares. However, after the listing and trading of stocks on TIB, they are only permitted to sell their holdings and are not allowed to buy additional shares on the centralized trading market.

According to Article 36 of the "TWSE Rules Governing Review of Securities Listings," when an issuer filing an initial application for listing of its common stocks on TIB, shall appoint a securities underwriter to handle prelisting public sale of all its shares stated in its listing application documents at the allocation ratio, after deducting such number of shares reserved for subscription by the company's employees and those offered for subscription by the lead securities underwriter in accordance with the applicable regulations under the Company Act, through issue of new shares by cash offering in accordance with the regulations of firm commitment underwriting of securities under Article 71, paragraph 1 of the Securities and Exchange Act. Existing shareholders who qualify as "qualified investors" and are not prohibited from participating in the public offering within the price range can participate in the pre-listing

public sale.

8. After a company is listed on TIB, when issuing new shares for cash capital increase and, if existing shareholders waive their subscription rights and negotiate with specific individuals for subscription, do these specific individuals need to meet the qualifications of qualified investors?

After a company is listed on TIB, the relevant provisions regarding the issuance of new shares through a cash capital increase are as follows:

- A. Existing shareholders and employees are allowed to subscribe for shares in accordance with laws or articles of incorporation, and they are not subject to the qualifications of "qualified investors."
- B. When specific individuals are approached for subscription due to the waiver of subscription rights, considering that trading of stocks listed on TIB is limited to qualified investors, it is advisable for these specific individuals to meet the qualifications of "qualified investors."
- C. In accordance with Article 54 of the "Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms," the eligibility for public subscription for underwriting cases is limited to qualified investors, following the provisions of Article 43-1, Paragraph 2, Subparagraph 3.

9. Where an investor has already traded and acquired the applicant company's shares while they were registered as an emerging stock, can said investor continue to buy and sell the applicant company's TIB shares after it is listed on TIB?

Following the listing of the company on TIB, if the investor meets the requirements of a "qualified investor", then he/she may continue to trade

the company's shares; if not, then the investor can only sell his/her shares in the company.

10. When trading on TIB through a comprehensive trading account and subsequently allocating them, do investors need to meet the qualifications of qualified investors and sign a risk disclosure statement?

When securities firms are entrusted to purchase TIB stocks through a comprehensive trading account, the principal submitting the allocation request should meet the requirements of qualified investors as determined by the regulatory authority. If the principal is a natural person, they should also sign a Risk Disclosure Statement when making their first purchase on TIB.

11. When securities firms accept fully authorized commissions or place orders on behalf of clients for TIB stocks, do both the client and the authorized party need to meet the qualifications of qualified investors and sign a Risk Disclosure Statement?

The principal of a fully authorized commission and the client placing orders through an authorized representative should meet the requirements of qualified investors as determined by the regulatory authority. If the principal is a natural person, they should also sign a Risk Disclosure Statement when making their first purchase of TIB stocks. However, this requirement does not apply to the authorized party of a fully authorized commission or the representative placing orders on behalf of the client.

12. What is the market-making system and incentive mechanism for TIB stocks?

In order to enhance TIB liquidity, the TWSE has added provisions such as the "Rules Governing Market Makers and Liquidity Providers on Taiwan

Innovation Board and “TWSE Standards for Granting of Transaction Charge Discounts to Market Makers on Taiwan Innovation Board.” These regulations were announced and implemented on August 11, 2022.

Securities proprietary traders can apply to the TWSE to become market makers for TIB. They provide buy and sell quotes in the market to increase TIB trading opportunities. The TWSE provides the following three incentives and benefits:

- A. Commission fee discount: Full discount of the commission fees generated from trading on TIB each month.
- B. Market-making incentives: Market-making incentives are issued based on the number of market-making files completed each month.
- C. Trading incentives: Trading incentives are calculated based on the daily average of the monthly trading volume and are issued accordingly.

Please refer to the TIB section for information on the market-making system :

<https://www.twse.com.tw/zh/page/products/tib/marketmaker.html> ◦

13. What are the differences between the market-making systems for TIB and the general board?

The differences between the market-making systems for TIB and the general board are as follows:

Difference	Market-making systems on TIB	Market-making systems on general board
1.Purpose	In response to the fact that innovative businesses are	By providing quotes through securities

	<p>often in the developmental stage and carry relatively higher investment risks, participation in investing in TIB is limited to qualified investors. To enhance TIB liquidity, securities dealers can apply to become TIB market makers and provide buy and sell quotes in the market, thereby increasing the trading opportunities for these stocks.</p>	<p>dealers and market makers, investors can enhance their trading opportunities and increase the trading volume of high-quality but low-liquidity stocks. This can be beneficial for revitalizing less popular stocks.</p>
2. Implementation date	2022.08.11	2021.06.30
3. Regulations and Rules	<p>(1) Rules Governing Market Makers and Liquidity Providers on TIB.</p> <p>(2) TWSE Standards for Granting of Transaction Charge Discounts to Market Makers on TIB.</p>	<p>(1) Corporation Market Maker and Exchange Incentive Program Participant Regulations</p> <p>(2) Corporation Standards of Transaction Charge Discounts to Market Makers and Exchange Incentive Program Participants</p>

4. market making target	All securities on TIB	Listed stocks that meet certain criteria in terms of trading and issuance aspects.
5. Disclosure	Under the TIB section on our company's website, we provide information related to market makers, including market maker stock codes, stock abbreviations, market maker account numbers, account names, and contact details for market maker representatives (contact name, phone number, and email).	According to international conventions, the selection of market maker targets is not publicly disclosed.

IV. Post-listing supervision

1. How does the post-listing management system for securities listed on TIB differ from that of general listed securities?

A. Regarding post-listing regulatory systems such as financial report filing, information disclosure, disclosure of material information, trading suspension and resumption, and corporate governance, the regulations applicable to existing listed companies and primary listed companies are followed.

B. Post-listing regulatory measures:

1. Separate Trading: To simplify post-listing regulatory measures, provisions related to separate trading methods are not

- applicable.
2. Altered trading method:
 - i 、 Elimination of the requirement to place its listed securities under an altered trading method, if the CPA to issue an audit report or review report indicating substantial uncertainty about the ability to continue as a going concern.
 - ii 、 Considering that startup businesses may face difficulties in achieving profitability during the business development stage and may have relatively low net worth, the listed securities of TIB (primary) listed companies, whose net worth is less than one-third of its share capital stated in the consolidated financial report, will be placed under an altered trading method.
 - iii 、 For TIB primary listed companies, if their directors with registered household in the Republic of China take less than a majority seats in the board, or fewer than two independent directors have a registered household in the Republic of China, and no special shareholders meeting has been held for a re-election within 60 days of occurrence of the fact, the company's listed securities will be placed under an altered trading method.
 3. Suspend trading
 - i 、 Net worth is less than one-tenth of its share capital stated in the consolidated financial report.
 - ii 、 For TIB primary listed companies, if their directors with registered household in the Republic of China take less than a majority seats in the board, or fewer than two independent directors have a registered household in the

Republic of China, and no special shareholders meeting has been held for a re-election within 60 days of occurrence of the fact, and fail to carry out, within three months of the trading day next following the date the trading method was changed.

iii 、 Violation of the commitment made during the application for listing, by failing to continuously appoint a securities underwriter to assist in compliance with laws and regulations for a period of one month.

4. Delist securities

i 、 Removal of the provision stating that if a company's announced operating income is zero for six consecutive months, it will be delisted.

ii 、 If trading is suspended due to the net value listed in the consolidated financial statements being less than one-tenth of the share capital, and the situation is not improved within one year, the listing will be terminated.

iii 、 If trading is suspended due to the failure to continuously appoint a securities underwriter to assist in legal compliance operations and there is no resumption for one month, the listing will be terminated.

iv 、 The trading indicators on the trading surface are as follows: the average closing price for 30 consecutive trading days is below NTD 3 or the average total market capitalization is below NTD 100 million.

2. If a TIB-listed company has an average closing price lower than NTD3 over a consecutive 30-day trading period or an average market cap of lower than NTD100 million over a consecutive 30-day trading period, it

shall be delisted. How is the above closing price and market cap determined?

The market capitalization of a TIB-listed company is calculated by the total number of issued shares times the closing price. However, where no closing price is available on such date, the closing price shall in principle be determined by the provisions in item 4, Article 58-3 of the “Operating Rules of the TWSE”(auction reference price at market opening of the current trading session).

3. What are the responsibilities of the lead underwriter for listed companies on TIB?

According to Article 2 of the " TWSE Directions for Lead Securities Underwriters Mandated to Assist Principals in Complying with ROC Laws and Regulations and the TWSE Rules Related to TWSE Listing," the lead underwriter should assist the TIB (primary) listed companies in the following operational items regarding compliance with laws and regulations:

- A. Assign specialists to assist and counsel the Principal in complying with ROC securities-related laws and regulations and the TWSE rules, bylaws, public announcements, and listing contract..
- B. Before the Principal holds a press conference concerning material information, the lead securities underwriter shall provide consultation and advice plus review the completeness and legitimacy of the disclosure of information.
- C. Assist the Principal in conducting analysis and management of material events plus other supervisory procedures, also, attend relevant supervisory meetings together with the Principal to assist the Principal in providing explanations and preparing information.

- D. Urge the Principal to perform its undertakings made to the TWSE at the time it became listed on the TWSE. If the Principal is discovered to have failed to fulfill any undertaking, the lead securities underwriter shall immediately notify the TWSE.
- E. Hold annually or assist the directors, supervisors, general manager, spokesperson, deputy spokesperson, financial officer, accounting officer, research and development officer, internal audit officer, and litigious and non-litigious agent of the Principal in participating as required in courses on corporate governance and commercial and legal affairs, to understand relevant legal liabilities.
- F. Attend the Principal's board of directors meetings as a non-voting delegate to offer consultations and advice as appropriate. Review minutes of the board of directors' meetings after the meetings to ascertain the operation of the board of the Principal. Also assign specialists to establish communication mechanisms with independent directors. Assist the Principal in selecting eligible director nominees to form an effectively functioning board of directors.
- G. Pay an annual site visit to the Principal's major business establishments or subsidiaries to ascertain their operations. Interview the actual responsible persons and key personnel such as those in charge of finance and business and compile interview records.
- H. Assist the Principal annually in holding investor conferences in the ROC.
- I. Collect information that has a material effect on the shareholders equity or securities price of the TWSE primary listed company from mass media coverage at the Principal's major business establishments, and assist the company in publicly disclosing

relevant material information.

4. What is the duration of the appointment contract for lead underwriters?

According to Article 34 of the “TWSE Rules Governing Review of Securities Listings,” domestic issuers or foreign issuers applying for listing on TIB are required to issue a written guarantee to, starting the listing date, continue to appoint the lead securities underwriter to assist its compliance with the securities laws of the Republic of China, listing contract and other regulations for three fiscal years. If the TWSE deems it necessary to extend the appointment period, domestic issuers or foreign issuers are willing to cooperate with the extension. Furthermore, if a TIB (primary) listed company is transferred to the general board, the appointment contract may be terminated.

The appointment contract between the securities underwriter and the company should be approved by the company's board of directors. Its content should include matters as stipulated in Article 3 of the "TWSE Directions for Lead Securities Underwriters Mandated to Assist Principals in Complying with ROC Laws and Regulations and the Taiwan Stock Exchange Corporation Rules Related to TWSE Listing."