

National Development Council Directions for Guiding and Managing the Promotion of Industrial Investment by Private Equity Funds

Promulgated by Order Fa-Chan-Zi No. 1101000360B dated June 10, 2021

Amended by Order Fa-Chan-Zi No. 1121000069A dated February 20, 2023

1. These Directions are specially established by the National Development Council (hereinafter referred to as “the NDC”) for the purpose of expanding the investment of insurance industry and other funds in important and strategic industries through the medium of domestic private equity funds, with the object of promoting industrial and economic development.
2. The term “private equity fund” as used in these Directions refers to a company limited by shares or a limited partnership that is established within the territory of the State in a non-public form to raise funds from specific persons, and that matches the forms of operation set out below, and the total capital of the company or the total agreed capital contribution of the limited partnership is at least one billion New Taiwan dollars (NT\$1,000,000,000):
 - (1) The management team for managing and operating the fund shall consist of at least three persons, and shall possess expertise in equity fund management and industrial investment, and be capable of conducting evaluations and making investment decisions in respect of potential investment targets.
 - (2) Methods of investment in invested enterprises include: investing capital and obtaining equity or equity-type security in the invested enterprise; using funds to purchase the equity of the invested enterprise’s original shareholders; investing capital in a limited partnership to become a limited

partner; or using funds to purchase the capital contributions of the invested enterprise's original limited partners.

- (3) Conducting post-investment management of invested enterprises, including providing all kinds of value-added services and assistance, making company inspection visits, and attending board meetings or shareholder meetings of invested enterprises.

3. The scope of important and strategic industries as referred to in these Directions is as follows:

- (1) Information & digital, cyber security, precision health, national defense & strategy, green and renewable energy, strategic stockpile, Asian Silicon Valley Development Plan, biopharmaceutical, smart machinery, circular economy, and new agriculture industries.

(2) The Forward-looking Infrastructure Development Program.

- (3) Infrastructure projects as specified in Article 3 Paragraph 1 of the Act for Promotion of Private Participation in Infrastructure Projects.

(4) Industries in need of upgrading or transformation.

- (5) Other industries recognized by their central competent authorities as matching policy directions.

4. A private equity fund that meets the following conditions may apply to the NDC for a letter of qualification:

- (1) The total amount of investment committed by shareholders or limited partners in letters of intent, or a company's paid-in capital or limited partnership's paid-up contributions, should

reach at least 20% of the total capital or total agreed capital contributions.

- (2) Where a fund in the form of a corporation has a commissioned management company, the commissioned management company or its management team shall invest in the fund at least one per cent (1%) of the total amount of the fund's capital; where a fund is in the form of a limited partnership, the general partner(s) or the fund's commissioned management company or the management team thereof shall invest in the fund at least one per cent (1%) of the fund's total agreed capital contributions.
- (3) The management team should have previous experience of investing in or managing equity funds, or have industrial expertise in the industries as specified in the articles of association or the limited partnership agreement.
- (4) The areas of industry proposed for investment in the fund-raising plan match the scope as specified in the preceding Point, and should be reasonable and feasible.
- (5) Has a complete investment decision-making mechanism, including investment decision-making procedures, and has set up an internal investment review system.
- (6) Has a complete post-investment risk management system, including regular scrutiny of invested enterprises' financial reports, updated fund investment account details, and tracking of investment performance.

A fund or commissioned management company as referred to in the preceding paragraph shall not have any of the following circumstances:

- (1) Being directly invested in by, or being under ability of control by, a natural person, juridical person, organization or other entity of the Mainland Area.
 - (2) An investor therein having above ten per cent (10%) of its shares directly or indirectly held by, or above ten per cent (10%) of its total paid-in capital directly or indirectly contributed by, or being under ability of control by, a natural person, juridical person, organization or other entity of the Mainland Area.
5. An applicant as referred to in the preceding Point shall submit the following documents:
- (1) An application letter.
 - (2) A fund in the form of a corporation shall submit its articles of association, the names of its promoters, existing and intended shareholders, and directors and supervisors, and the basic information of its commissioned management company (including that company's articles of association and a photocopy of its registration certificate); a fund in the form of a limited partnership shall submit the intended representative and total capital contribution of the limited partnership, the names of the existing and intended partners, the capital contributions of each partner, and the basic information of its management company or commissioned management company (including that company's articles of association and a photocopy of its registration certificate).
 - (3) The resumes of the main management team or general partner, including documentary proof of satisfying the requirements set forth in Point 2 Subparagraph 1.

- (4) The commissioned management contract or limited partnership agreement.
- (5) Documentary proof of satisfying the requirements set forth in Subparagraphs 5 and 6 of the preceding Point.
- (6) A fund-raising plan and letters of intent for investment.
- (7) Other documents stipulated by the competent authority.

The letter of qualification referred to in the preceding paragraph shall be valid for a period of one year from the day following the date of issuance. An application for its extension may be made before its expiration, with the submission of an application letter and a photocopy of the letter of qualification. Extensions will be for six months at a time, limited to a maximum of two times.

6. The NDC may issue a letter of qualification upon confirming that an application satisfies the conditions set forth in Point 4, to facilitate the acquisition of funds from insurance industry and other private funds.

In order to determine whether, as referred to in the preceding paragraph, an application satisfies the requirements set forth in Points 2, 3 and 4, the NDC may gather assistance from the Ministry of Economic Affairs, the central competent authorities of the industries targeted for investment by the private equity fund, the Executive Yuan's National Development Fund, and relevant scholars and experts; and may seek opinions from private equity fund related associations, federations, and juridical persons.

Where, as referred to in the preceding paragraph, a scholar, expert, association, federation or juridical person assists in an application by providing evaluative opinion, evaluators who are

interested parties may not participate in evaluation, and shall recuse themselves therefrom.

The spouse or a second-degree relative of an evaluator as referred to in the preceding paragraph, or a company having a controlling and subordinate relationship with said person are interested parties in the application that is being assisted, the evaluator shall be deemed interested party in such application.

- 6-1. Where a private equity fund submits application documents as specified in Point 5, if the submitted documents are incomplete or the NDC determines that supplementary information is needed, the NDC may notify the applicant of a deadline within which to complete the requisite supplementation; if the supplementation is not completed or the submitted documents are still incomplete at the expiration of the deadline, the application shall not be accepted.

Application documents received by the NDC will not be returned, irrespective of whether or not a letter of qualification is issued.

7. A private equity fund that has obtained a letter of qualification under these Directions shall, within one month after its fund-raising is completed, submit the following documentation to the NDC for reference filing; and the same requirement shall apply to any change in the content of this documentation while the private equity fund remains in existence:
 - (1) A fund in the form of a corporation shall submit lists of its shareholders, directors, supervisors, and beneficial owners.
 - (2) A fund in the form of a limited partnership shall submit lists of its partners and beneficial owners.

When necessary, the NDC may assign personnel to verify the contents of the documentation referred to in the preceding paragraph, and the private equity fund shall render full cooperation.

8. The NDC may assist a private equity fund that has obtained a letter of qualification under these Directions to apply for investment from the Executive Yuan's National Development Fund.

Investment in listed company stocks by a private equity fund that has obtained a letter of qualification under these Directions shall be limited to strategic investment.

9. A private equity fund that has obtained a letter of qualification shall, within the five years starting from the business year in which it begins to invest, and within six months from the end of each business year, submit to the NDC a business report and an annual financial report verified by a certified public accountant.

When necessary, the NDC may assign personnel to verify the contents of the business report and the annual financial report referred to in the preceding paragraph, and the private equity fund shall render full cooperation.

10. To effectively control the investment risk of investing in private equity funds and protect the rights and interests of investors, private equity funds shall comply with the requirements for provision of financial information, as pertain to the frequency and items thereof, prescribed by the investor's competent authority.
11. Where other regulations prescribed by the competent authorities apply in respect of a private equity fund investor and its

interested parties jointly owning said private equity fund or in other ways obtaining a relationship of control or subordination thereof, the private equity fund investor shall comply with said regulations.

12. In the event that a private equity fund fails to comply with the provisions of these Directions, the NDC may demand improvement within a deadline; if the improvement is not forthcoming within the deadline, the NDC may revoke the letter of qualification, notify the shareholders or limited partners, and bar it from applying again within three years.