

Business Angel Investment Program

National Development Fund, Executive Yuan

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Amended by the 64th meeting of the National Development Fund on February 1, 2018

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Amended by the 78th meeting of the National Development Fund on September 2, 2019

1. Objective

Through this Program, the National Development Fund (hereafter referred to as “the NDF”) aims to establish a sound startup investment mechanism to improve the angel investment environment in Taiwan; NDF, angel investors, domestic and foreign investment institutions will co-invest in startups and also provide startups with initial and subsequent operating capital; the investment experience of angel investors and investment institutions will also be used to provide the invested businesses with follow up guidance and advice and network linkages. The main objective of this Program is to support relatively high-risk startups, rather than having financial profit as the sole consideration.

2. Program budget

The NDF will allocate NT\$2 billion for handling this Program

3. Execution period

Applications will be accepted for five years from the day of implementation of the Program.

4. Investment subjects

The NDF and angel investors will co-invest in startups registered in Taiwan or overseas startups with main business operations in Taiwan. The startups referred to in this Program are enterprises that have been established for less than three years and have paid-in-capital or actual amount of fundraising of no more than NT\$80 million. However, this restriction can be removed upon agreement of investment review committee.

5. Application eligibility

Under this Program, angel investors or startups will submit an application; startups that receive angel investor investment will be considered by THE NDF for investment on a priority basis.

Angel investors referred to in this Program must be able to provide at least one mentor to guide the invested company, such as the following institutions, organizations or their members.

- (1) Angel investment fund
- (2) Venture capital enterprise
- (3) Angel investment organization
- (4) Angel investment club
- (5) Accelerator or incubator

6. Investment principles

- (1) Under this Program, angel investors approved by the investment review committee should provide guidance and assistance to the invested business and co-invest in it with the NDF.
- (2) Under this Program, invested companies must be startups or companies that are increasing capital for expansion.
- (3) In principle, the maximum amount the NDF can invest in a single business cannot exceed NT\$20 million.
- (4) If a startup has obtained the investment commitment from domestic and foreign investment institutions with accumulated funds raised or assets under management of more than US\$1 billion when applying for this investment Program, the initial investment amount of this Program may be increased to NT\$30 million, as long as it does not exceed the investment amount of the investment institution.
- (5) When an enterprise that the NDF invested in conducts a capital increase, the amount of subsequent cash capital increase and the amount of investment by the NDF may be up to NT\$100 million.
- (6) The NDF will raise the co-investment ratio in accordance with area, industry and composition of management team
- (7) Funding from government agencies, including the NDF, should be less than 50% percent of the invested business capital.
- (8) An angel investor should fully disclose a related party relationship with the business it applies to co-invest in with the NDF.

7. Composition of review committee

To handle applications, review or other entrusted matters for this Program, the NDF should establish an investment review committee to assist with related investment review matters.

The investment review committee should have at least 13 members, with a term of one year; members will be appointed by the NDF's convener in accordance with actual review requirements, with one chairperson appointed by the convener. Apart from the chairperson, (every review meeting should have five committee members in attendance) the other four committee members are chosen by drawing lots from members of the Fund's Business Angel Investment Program investment review committee and a list of investment review committee technical review personnel and invited to attend in order, with two invited to attend from each list. When the chairperson cannot attend a committee meeting, he/she will designate one of the attending members to serve as chairperson. An investment case must receive approval from more than half of attending members for the NDF to invest.

If the invested enterprise has subsequently applied for capital increase and the subscription of the fund exceeds the subscribed shares calculated according to the NDF's original shareholding ratio, the number of present members of the investment review committee shall be increased to seven.

8. Investment review

- (1) Applicants should apply to the NDF submitting the required documents.
- (2) Applications that the NDF deems to meet the application requirements for this Program should be reported to the investment review committee by the NDF and the applicant should present a report to the committee. After the application is approved by the investment review committee, the NDF will take part in investment and will report the investment situation to the NDF.
- (3) Investment cases approved by the investment review committee will only be participated in after it is deemed that the decisions of the review committee have been accorded with.
- (4) In cases when an angel investor approved by the NDF applies for investment from the Fund of less than NT\$3 million and his/her investment is not less than that provided by the Fund, the latter will participate in the investment and report details of the case to the investment review committee.

9. Incentive

To encourage angel investors to assist the invested business by giving follow up guidance and advice and network linkages, the NDF can agree with an angel investor and the startup management team that, within seven years of co-investment and before the invested business's shares are listed, the angel investor and the management team can buy the NDF's shares in the invested startup on a priority

basis at 1.5 times the recognized investment balance of the NDF or be assigned half the NDF's contribution in the invested business.

10. Exit

When the invested business carries out the first capital increase within seven years after the NDF's investment, the NDF can sell all its shares to the business's management team at 90% of share price or net asset value of each share this time, whichever is the highest; if the invested business does not carry out capital increase within seven years, the invested business should buy back all the shares held by the NDF at the net asset value of each share or liquidate and dissolve the business.

When the investment review committee agrees to extend the timeframe of the aforementioned buy back, said extension will be proved by a resolution of the committee.

11. Execution

To enhance investment assessment and management, the NDF can appoint an executing agency to assist with handling this Program's related matters.

When handling this Program, the executing agency should set guidelines for investment application process, review mechanism, capital control, business guidance, incentive measures and withdrawal mechanism etc. and then carry out execution on this basis after approval from the NDF.

12. Investment management

- (1) To ensure the security of the investment funds and assets of this Program, the executing agency should, according to the decisions of the investment review committee, handle related matters and set up a trust capital special account to manage this Program's assets.
- (2) After the NDF participates in investment, the executing agency should obtain the invested business's stock or rights certificates and place them in the custody of the Program's trust capital special account.
- (3) The executing agency can, on a quarterly basis, apply to the NDF for the estimated share payment required for investment cases to be disbursed to the trust capital special account.
- (4) The executing agency should, in accordance with related regulation, handle post-investment management and corporate governance affairs with regard the invested businesses and report this Program's handling situation to the NDF annually.
- (5) The executing agency should provide financial information and operation situation data for this Program's invested businesses on quarterly basis; the

NDF's representatives can accompany the executing agency's personnel to invested businesses to understand their operating situation.

- (6) The NDF will disclose investment information relating to this Program in its annual report.

13. Implementation and amendment

This Program will be implemented after being reported to and approved by board meeting of the NDF; the same also applies to amendment.