

Directions on the Business Angel Investment Program, National Development Fund, Executive Yuan

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Amended on November 18, 2020

Amended on November 18, 2021

1. Basis

These Directions are set in accordance with the *National Development Fund, Executive Yuan Business Angel Investment Program* (this Program hereafter).

2. Objective

Through this Program, the aim is to establish a sound startup investment mechanism to improve the angel investment environment in Taiwan; the National Development Fund (hereafter referred to as “**the NDF**”), angel investors, domestic and foreign investment institutions will co-invest in startups and 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.

3. Handling method

This Program will be executed for five years, with the NDF allocating NT\$5 billion. The NDF will entrust the executing agency to handle receipt of applications, review, disbursement, post-investment management and other matters for this Program.

4. Definition of terms

- (1) “Angel investor” refers to an investor/institution that can provide at least one mentor to guide the invested business, such as the following institutions, organizations or their members:
 - i. Angel investment fund

Fund management companies focused on investment in startups or professional management institutions entrusted by such companies.

ii. Venture capital enterprise

Domestic or foreign venture capital enterprises or venture capital consulting enterprises legally established and registered.

iii. Angel investment organization

Organizations focused on investment in startups, the main members of which have participated in one or more startup investment case in the previous two years.

iv. Angel investment club

Investment clubs which have established an angel investment fund including but not limited to investment clubs set up by universities.

v. Accelerator or incubator

Domestic or overseas startup accelerators or incubators that can linkup with angel investment funds.

- (2) “Startups” refers to in this Program are enterprises that have been established for less than five years and have paid-in-capital or accumulated actual amount of fundraising of no more than NT\$100 million. However, this restriction can be removed upon agreement of the Investment Review Committee.
- (3) “Overseas startups with main business operations in Taiwan” refers to a startup that is not registered in Taiwan but has an operating entity in Taiwan and the operating entity is actually operating. The startup and the actual operating entity in Taiwan it claimed should be enterprises that exist separately but are related, including but not limited to companies with a control and subordinate relationship and mutual investment relationship.
- (4) “Green Channel Small Amount Investment” refers to a case in which the matched investment of the application is less than NT\$3 million and the matched investment of the angel investor is not less than the amount of investment applied for from this program. The angel investor providing matched investment must have achieved investment results and must submit supporting documents.
- (5) “Same round investment/capital increase” refers to the NDF and investor holding the same stock (common or preferred stock) with the same investment conditions and having the same rights and obligations, and becoming shareholders at the same time in the invested business when it completes company change registration at the same time.
- (6) “Lead investor” refers to a single investor whose cash investment in the capital increase is not lower than the amount of investment applied for under this program. The determination of the investment amount of a single investor can include related parties or related enterprises as defined by Company Law.

5. Investment subjects

Startups registered in Taiwan or overseas startups with main business operations in Taiwan, limited to newly established startups or startups that are carrying out capital increase (in cash) for expansion and have not been publicly offered or have not entered the capital market (including TWSE-listed, TPEX-listed, or emerging-stock company).

6. Investment principles

- (1) In principle, this program will not invest more than NT\$20 million for the first investment in a single business. When invested businesses apply again for investment under this Program, in principle this program will subscribe the newly issued shares according to shareholding ratio; if total investment exceeds NT\$20 million, when applying for this program's oversubscription, the same round capital increase should have matched investment from a lead investor.
- (2) The follow-up cash capital increase amount plus already invested amount of a business in which this program invests can be up to NT\$100 million.
- (3) Businesses for which has executed stock options in the Startup Angel Program can be regarded as first-time applications for investment when applying for this program's investment.
- (4) When the total matched investment of this program and angel investment institution and related parties reaches NT\$50 million and NT\$20 million with the angel investor and its related parties, when the angel investment institution, angel investor and this program match investment, the amount should be no less than the amount of investment applied for from this program; the aforementioned angel investment institution's matched investment includes cases of the institution's matching of self-owned capital, escrow funds and members' capital with this program's investment.
- (5) The startup should fully disclose a stakeholder relationship with the angel investor.

7. Review process

- (1) Investment review process
 - i. When applying for this program, the applicant should submit an application form and attach various complete application information.
 - (i) The applicant can put forward an incentive mechanism when the application is first made; the execution conditions, eligible subjects, estimated time of execution etc. should be clearly listed. If an incentive scheme is not put forward or it is not passed by the Investment Review Committee, another incentive mechanism cannot be demanded.

- (ii) When the total investment in an invested business that has received Green Channel Small Amount Investment and then applied for matched investment under this program is still less than NT\$20 million, an incentive mechanism can still be put forward.
 - ii. If a startup has been established more than five years and paid-in capital or accumulated fundraising is over NT\$100 million or there is no matched angel investor investment, it should first be reported to the Investment Review Committee to decide if the application will be accepted; if more than half of members agree, it will be accepted.
 - iii. The applicant for an investment application case should report the content of investment to the Investment Review Committee; an angel investor with matched investment can also attend the meeting.
 - iv. For applications that have completed review or are approved, the applicant will be notified of the results of review by the executing agency.
 - v. When an application is not approved after review, a re-review can be requested by the applicant within two months of the review decision, one time only. Applications that do not pass should wait for one year from the day of the decision before applying for investment again.
- (2) Contract signing and disbursement process
- i. The applicant will receive review results for investment cases passed or approved by the Investment Review Committee. If the investment conditions set by the committee are accepted, an official reply should be sent to the executing agency by the applicant. If the capital increase needs an investment agreement to be signed by other investors it should match the decision of the Investment Review Committee.
 - ii. After the executing agency confirms the matched investment angel investor or this round investor remittance certificate and reviews the investment conditions of the Investment Review Committee decision, it will instruct the trust capital special account to handle fund disbursement operations. If the matched investment angel investor or investment institution does not complete disbursement within six months of the review decision, the decision will be regarded as invalid and applicant should wait for one year before making another application for investment.
 - iii. After the applicant completes the capital increase procedure and completes related necessary registration with the competent authority, shares or rights certificates that show the NDF's shareholding should be handed over.

8. Investment management

- (1) Matters to be handled by the invested business

- i. Provision of financial information and a review of the company's operations to the executing agency on a quarterly basis. If the invested business is an overseas startup with main business operations in Taiwan, the financial information provided must be approved by the board of directors.
- ii. Arrange on-site visits in cooperation with the NDF and executing agency's nonscheduled inspection requests.
- iii. The invested business shall hold important meetings of the company on regular basis, including board meetings and regular and special meetings of shareholders, according to the regulations governing corporate governance in the country of registration.
- iv. If special situation or important contingency arises in the invested business, such as litigation or any situation that damages the rights and interests of investors, the invested business shall notify the executing agency.

(2) Matters to be handled by the angel investor

- i. Take part in the same round of investment with the NDF and provide at least one mentor to guide the invested business's operational growth.
- ii. An angel investor with an incentive mechanism should dispose of invested business equity held by both parties at the same time as the NDF. However, this does not apply in the two situations of when the angel investor and invested business activate the incentive mechanism and when this program executes the withdrawal mechanism.

9. Execution and Amendment

These key points will be implemented from the day of announcement and can be revised if and when necessary.