

News Release of Supreme Prosecutors Office

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In the case of allegations against Lo Fu-Chu and others for violations of the Securities Transaction Act (designated by former Prosecutor-General Chen as a “special and major economic criminal case, pursuant to Article 63-1, Paragraph 1, Subparagraph 3 of the Court Organization Act), the Special Investigation Division of the Supreme Prosecutors Office has issued indictments on June 1, 2011. As the Defendant Lo Fu-Chu has derived as much as NT\$1 billion in criminal proceeds, prosecutors are seeking a sentence of 12 years term imprisonment together with a fine of NT\$600 million. The substance of the indictments is as follows:

1. The Defendants

A total of 12 defendants were indicted in this case. Defendants can be generally divided into 6 classes: company insiders, middle players, securities investment analysts, financial channels owners, Type C financiers and securities agents.

2. Main Facts of the Offenses

Including concerted manipulation of share prices and company asset stripping.

(1) Concerted Manipulation of Share Prices

Subjects of manipulation include the shares of Infodisc Technology Co., Ltd. and Jess-Link Products Co., Ltd.. The defendants are in violation of Article 155, Paragraph 1, Subparagraphs 4, 5 and 6 by engaging in acts in manipulation of shares prices, including concertedly inflating share prices, bucketing and distributing rumors. They shall therefore be prosecuted in accordance with Article 171, Paragraph 1, Subparagraph 1. Lo Fu-Chu and Wong Qiu-Nan had derived criminal proceeds in excess of NT\$840 million and NT\$190 million respectively, and shall be subject to heavier sentences under Article 171, Paragraph 2 (statutory sentence is term imprisonment of 7 years or more, together with fine of NT\$25 million ~ 500 million).

1. Regarding Lo Fu-Chu

Manipulating shares prices of Infodisc, laundering part of the proceeds to a Hong Kong company in the Infodisc group, and the funds are then diverted into an investment in Mainland China in solar batteries and the LED business.

2. Regarding concerted manipulation of share prices by middle players and securities analysts

The middle player Weng Chiu-Nan and securities analysts Cheng Kuang-Yu and Fang Hsiang-Li, were well aware that the aforementioned companies were not in fact sound. Nonetheless they took advantage of the lack of understanding of general investors as well as the investors' trust in securities advisors, in order to manipulate share prices and gain the trust member investors. They also called upon members and other investors to buy the shares via concentrated television programs, other media and seminars, and then used such opportunity to offload the shares to the general investing public.

(2) Asset Stripping the Companies

Lo Fu-Chu acquired operating rights in Infodisc. Although he was aware that a buyer is negotiating purchase of said company's factory at No. 38, Liyen Street, Zhonghe District, New Taipei City, he first used a dummy account to buy the factory at a low price and then re-selling it to the buyer, causing a loss of NT\$70 million to Infodisc, and then misappropriated more than NT\$200 million from sale of the factory. Such conduct violated Article 171, Paragraph 1, Subparagraph 2 of the Securities Transaction Act concerning non-arms-length transactions, and Subparagraph 3 concerning misappropriation. As the misappropriated proceeds exceeded NT\$100 million, he shall be subject to a heavier sentence under Article 171, Paragraph 2 of the same Act.