



Press Release

Taipei District Prosecutors Office

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XPEC Chairman Shu was indicted for fraud, insider trading, stock price manipulation and embezzlement

After thorough investigations into fraud at XPEC Entertainment Inc., Our Office indicted XPEC chairman Mr. Hsu and nine other defendants in violation of provisions of §171 I, §20 I, §20 II, §157-1 I of the Securities Exchange Act. Meanwhile, Defendant Huang and six other persons were not indicted under the same charges. Three foreign defendants were put on wanted list of our office and three independent directors on XPEC's board are still under investigation.

Mr. Hsu and three other defendants concealed the facts that XPEC's private placements are joined by strategic investors who actually are paper companies controlled by Hsu. Mr. Hsu and four other defendants also concealed the facts that XPEC's capital of public tender offer was mostly from Mainland China. They on the contrary falsely announced the offer was from a Japanese company, Bai Chi Gan Tou Digital Entertainment Co. Other than these, Mr. Hsu engaged in illegal insider trading prior to the public disclosure of such information. Therefore, Mr. Hsu, Mr. Yang, and Mr. Cheng were indicted for stock price manipulation. Furthermore, Mr. Hsu and two other defendants were indicted for embezzling NTD 3.5 million of XPEC's capital. As a result, the total illegal profits acquired by Mr. Hsu were more than NTD 4.07 billion.

Judging from the illegal profits, the hazard to financial order, the losses of investors, and the defendants' attitude after arrested, Our Office recommended the court to sentence defendants for maximum term of 30 years' incarceration for Mr. Hsu.