



三能集團控股股份有限公司  
SANNENG GROUP HOLDINGS CO., LTD.

## **2021 Annual Shareholders' Meeting**

### **Meeting Handbook** (Translation)

Time: 9 a.m., Wednesday, June 23, 2021

Place: 2nd Floor, Dali Industrial Park Service Center, Bureau of Industry, Ministry of Economic Affairs

(No. 2, Gongye Rd., Renhua Vil., Dali Dist., Taichung City 412, Taiwan)

## Contents

	<u>Page</u>
Chapter 1. Meeting Procedures	1
Chapter 2. Meeting Agenda	2
I. Management Presentations	3
II. Ratifications	4
III. Discussions	5
IV. Extempore Motions	5
V. Adjournment	5
Chapter 3. Attachments	
Attachment 1. 2020 Business Report	6-12
Attachment 2. 2020 Audit Committee Review Report	13
Attachment 3. 2020 Independent Auditor's Report and Financial Statements.	14-23
Attachment 4. Earnings Distribution Table for 2020	24
Attachment 5. Comparison Table for Amendments to the Rules of Procedure for Shareholders Meetings	25
Chapter 4. Appendices	
Appendix 1. Articles of Association	26-78
Appendix 2. Rules of Procedure for Shareholders' Meetings (prior to amendments)	79-87
Appendix 3. Shareholdings of All Directors	88



## 2021 Annual Shareholders' Meeting Procedures

- I. Call the Meeting to Order
- II. Chairman's Speech
- III. Management Presentations
- IV. Ratifications
- V. Discussions
- VI. Extempore Motions
- VII. Adjournment



## **2021 Annual Shareholders' Meeting Agenda**

Time: 9 a.m., Wednesday, June 23, 2021

Place: 2nd Floor, Dali Industrial Park Service Center, Bureau of Industry, Ministry of Economic Affairs (No. 2, Gongye Rd., Renhua Vil., Dali Dist., Taichung City 412, Taiwan)

- I. Call the Meeting to Order
- II. Chairman's Speech
- III. Management Presentations
  - (I) 2020 Business Report
  - (II) Audit Committee Review Report on the Company's 2020 Financial Statements
  - (III) 2020 Distribution Proposal of Directors' Remuneration and Employee Bonus
  - (IV) Report on the operational procedures for lending funds and the procedures for endorsement and guarantee
- IV. Ratifications
  - (I) Approval of 2020 Business Report and Financial Statements.
  - (II) Approval of 2020 Earnings Distribution Proposal
- V. Discussions
  - (I) Amendments to the Rules of Procedures for Shareholders' Meetings
- VI. Extempore Motions
- VII. Adjournment

## **Management Presentations**

### Case No. 1

Summary: The Company's 2020 Business Report is hereby submitted.

Explanation: Please refer to Attachment 1 for the 2020 Business Report (Page 6-12).

### Case No.2

The Audit Committee Review Report on the Company's 2020 Financial Statements is hereby submitted.

Explanation: Please refer to Attachment 2 for the 2020 Audit Committee Review Report (Page 13).

### Case No.3

Summary: The Company's 2020 Distribution Proposal of Directors' Remuneration and Employee Bonus is hereby submitted.

Explanation: NT\$3,250 thousand , or 1.32% of earnings, will be allocated as Directors' remuneration, and NT\$20,541 thousand , or 8.35% of earnings, will be allocated as employee bonus for 2020, all of which conform to the provisions of the Company's Articles of Association.

### Case No. 4

Summary: Report on the operational procedures for lending funds and the procedures for endorsement and guarantee is hereby submitted.

Explanation: The company's total operational procedures for lending funds as of December 31, 2020 is NT\$31,775 thousand (the target of the capital loan is Sanneng Japan Bakeware Co., Ltd., which is 100% owned by The Company), and endorsement and guarantee as of December 31, 2020 is NT\$0 thousand, which is in compliance with The Company's "Operational Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" requirements.

## **Ratifications**

Case No.1 (Proposed by the Board of Directors)

Summary: The Company's 2020 Business Report is hereby submitted for ratification.

- Explanation: 1. The Company's 2020 Consolidated Financial Statements have been approved by the Board, as well as duly audited by the CPAs of Deloitte & Touche, Angus Chang, and Connie Chen. The Business Report and Consolidated Financial Statements have also been audited by the Audit Committee and submitted along with the review report.
2. Please refer to Attachment 1 (Page 6-12), Attachment 2 (Page 13), and Attachment 3 (Page 15-24).
  3. The case is hereby submitted for ratification.

Resolution:

Case No.2 (Proposed by the Board of Directors)

Summary: The 2020 Earnings Distribution Proposal is hereby submitted for ratification.

- Explanation: 1. The Company's undistributed earnings at the beginning of the period were NT\$115,573,015, while the comprehensive income after tax in 2020 was NT\$221,609,814 and reversed of special surplus reserves was NT\$16,994,423. After deducting NT\$22,211,748 as 10% statutory surplus reserve and NT\$2,400,300 changes in percentage of ownership interests in subsidiaries, the distributable earnings of the current year is NT\$329,565,204.
2. The cash dividends are distributed at NT\$3 per share, and the cash dividend will be rounded down to the nearest dollar; the sum of the fractional amounts will be rounded down from the largest decimal place to zero, depending on the number of decimal places after the distribution by shareholders.
  3. If the Company's earnings distribution is changed before the base date scheduled, resulting in a change in the number of shares outstanding as a result of repurchase of shares, transfer of treasury stock, registration, conversion of convertible corporate bonds or employee stock warrants, a proposal will be made to the shareholders' meeting to authorize the Board of Directors to adjust the dividend distribution ratio based on the earnings distribution plan for the current year, for the outstanding shares.
  4. After the proposal approved at the shareholders' meeting, the Chairman of the Board of Directors will be authorized to set the base date for cash allocation.
  5. Please refer to Attachment 4 for the Earnings Distribution Table for 2020 (Page 25).
  6. The case is hereby submitted for ratification.

Resolution:

## **Discussions**

Case No.1 (Proposed by the Board of Directors)

Summary: The proposal of amendments to the Company's Rules of Procedure for Shareholders' Meetings is hereby submitted for discussion.

- Explanation: 1. Pursuant to the amendment to the Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders' Meetings by Official Letter No. 11000014461 issued by Taiwan Stock Exchange on January 28, 2021, the Company complied with the amendment of certain provisions of the Rules of Procedure for Shareholders' Meetings. Please refers to Attachment 5 for comparison table for amendments (Page 26).
2. The case is hereby submitted for discussion.

Resolution:

## **Extempore Motions**

## **Adjournment**



## 2020 Business Report

### I. 2020 Business Report

#### (I) Business plan implementation results: comparison of operating results: (consolidated profit and loss)

Unit: Thousand NTD

	2020	2019	Increase (decrease) ratio (%)
Operating revenue	1,913,403	1,895,403	0.95
Operating costs	1,145,847	1,196,188	(4.21)
Gross profit	767,556	699,215	9.77
Operating expenses	492,136	493,469	(0.27)
Profit from operations	275,420	205,746	33.86
Non-operating income and expenses	9,054	24,429	(62.94)
Profit before income tax	284,474	230,175	23.59
Net profit for the year	220,416	187,793	17.37

#### (II) Budget execution

The Company did not publicly disclose any financial forecasts for 2020.

#### (III) Analysis of financial revenues and expenditures and analysis of profitability (consolidated statements):

Item		2020	2019	
Financial structure analysis	Debt to asset ratio	26.14	26.48	
	Ratio of long-term capital to property, plant and equipment	192.51	187.82	
Solvency analysis	Current ratio	279.97	277.45	
	Quick ratio	211.32	214.73	
Profitability analysis	Return on assets	9.95	8.59	
	Return on equity	13.33	11.51	
	Ratio to paid-in capital	Operating income (%)	45.33	33.87
		Pre-tax income (%)	46.82	37.89
	Profit margin	11.51	9.91	
Earnings per share (NTD)	3.66	3.11		

#### (IV) Research and development status

In order to ensure competitiveness in the field of baking equipment, the Group continues to introduce new products in addition to seeking continuous advances in product design and process improvements. In 2020, the Group invested a total of NT\$83,271 thousand in R&D, which accounted for 4.35% of the operating revenue. The R&D expenditure is regarding materials/products testing, technology, and development of more diversified and innovative quality products. This was done so as to fully satisfy various customer needs while continuing to expand the product market share and bolster the competitive



advantages of our brand. Since 2020, the Company has continued to optimize various baking mold products, including R&D projects such as energy-saving, carbon-reducing, healthy, and environmentally friendly low-sugar toast boxes, and high-strength and stable baking trays. In addition, Sanneng Wuxi, a subsidiary in China, still managed to continue its qualification as a high-tech enterprise. As of the publication date of this Annual Report, the number of patents obtained and under application are 121 and 38 by the Group, 20 more than that of last year, implying that our R&D capacity will wield significant influence on future product development and applications as well as market sales.

## II. Summary of the 2021 Business Plan

### (I) Business Strategy

Sanneng Group has been deeply involved in the bakeware industry for many years. By adhering to the business philosophy of "professionalism, integrity, and innovation," the Company promotes various business strategies and formulates various business plans by which the Group and its subsidiaries operate. Over the years, it has accumulated immense competitiveness that can hardly be surpassed by other bakeware manufacturers. In response to market changes, the Group's Annual Summit which has held in the end of 2019, has drafted the 2020 management objectives based on the principles found in Sun Tzu's *The Art of War*, "The Moral Law, Heaven, Earth, The Commander, and Method and discipline". These will also serve as the drivers to our continued operations and growth:

1. The Moral Law: The Group's consensus. These are the principles that all subsidiaries will follow during their respective operations. Through discussions at the Group Summit, the following mission and vision have been formed:  
Group mission: To promote safety, environmental protection and energy-saving and carbon reductions in bakeware.  
Group vision: To become a professional, service-oriented and trustworthy bakeware brand throughout Asia.
2. Heaven: As in market expansion. Seeing the increasingly fierce competition in the bakeware industry and the diversification of consumer consumption patterns, the Group is actively developing new sales channels. In addition to existing raw material suppliers, equipment manufacturers, hoteliers, chain bakery stores and large-scale wholesale stores, we are also actively developing new sales channels. These include e-commerce online sales, baking classrooms, schools, breakfast shops, hardware supermarkets, and so on. Together they create higher revenues and more sales channels through joint branding with related products, as well as strategic marketing alliances with baking instructors and influencers. Especially due to the COVID-19 pandemic, which started in early 2020, the consumption pattern of the baking

industry has changed significantly. The demand for central factories that supply hypermarkets and for household DIY baking consumption has increased dramatically, and this is the market that the Company is still actively expanding in 2021.

3. Earth:

As in resource conservation. Through introduction of automated equipment, improvements in material quality, simplification and reengineering on operating procedures, and control over budget and expenditure execution, the Group is systematically improving our product cost structure and reducing costs in operating, manufacturing, marketing, and management, thereby creating profit effects within the enterprise. In 2020 and the first quarter (Q1) of 2021, the cost ratios and operating expense ratios have gradually decreased and improved. It is obvious that the effect of saving on spending is gradually becoming noticeable.

4. The Commander:

As in talent development. The Company understands that employees are our basis to corporate development. Therefore, recruitment plans and relevant budgets are prepared in each year in line with the operational plans for the following year. We seek for high-performing talents through diverse recruitment channels; at the same time, we draft talent training plans, optimize employee benefits, and focus on talent development and retention in line with the developments of the Group and subsidiaries. To meet the Company's developmental needs, we continue to develop each successive management ranks through systematic internal and external training.

5. Method and discipline:

As in the optimization and execution of systems. The Company has formulated a comprehensive management system; nevertheless, necessary adjustments and optimization, and continued executions are needed in line with environmental changes and the Company's developmental needs. Besides optimizing the system and relevant executions, the Company will also focus on the implementation status of each unit of the subsidiaries. By reviewing each operational performance in regular monthly management and finance meetings with subsidiaries and conducting comprehensive annual review and launching annual budgets and work plans of the coming year in the Group meeting held in the fourth quarter (Q4) of each year, the Group hopes to achieve goals and objectives effectively through efficient executions.

## (II) Expected Sales Volume and Its Basis

The Company's major products are baking equipment, and we have also begun to develop small home baking appliances and baking materials in recent years. The Company's annual expected sales volume takes into account the historical growth rate of each subsidiary's baking markets. Besides projected sales growth in existing markets and our customers' expected growth rates in 2021, we are also developing and launching various new products including various toast molds and baking trays and animal shaped toast molds. Additionally, joint promotions are carried out in with industry partners and arts and creative companies. These sales models are expected to continue the sales growth generated from e-commerce marketing and sales. Additionally, besides continuing food and ingredients distribution in the Taiwanese market, Sanneng Japan is also expanding to the wide Chinese market. It has planned to serve the Chinese market through its sub-subsidiary Squires. Given that the baking market in China is expected to continue its growth post-COVID 19, we will continue marketing promotions via Squires' e-commerce sales. Sales to industrial customers, who have been less affected by the pandemic, will also resume. Revenues from customized products are expected to reach new heights through partnering with industry partners to achieve professional one-stop services that include competent R&D, production processes, forming molds and creating samples, and delivery finished products on a timely manner. Looking forward to the growth in e-commerce market in post-pandemic 2021, revenues from industrial customers will continue to drive our growth. In addition, continued expansion to the Asian market will also help to fulfill the Sanneng-KY vision of "enhancing baking competences and co-creating a baking ecology in Asia". The Group aspires to deliver even better performance in 2021.

## (III) Production and Sales Strategies

1. Continuing to promote automated production, improve quality, increase efficiency, and reduce labor costs; solve the problem of difficult employment of direct labor in the workplace and reduce the turnover rate.
2. By enhancing the accuracy of sales forecast via IT competences and coordinating production planning and scheduling in line with procurement policy, the efficiency of inventory management can be enhanced and stock out frequency will be reduced.
3. Analyze the cost advantages of each subsidiary and effectively integrate cross-Strait production resources to deploy division of work.
4. Strengthen production planning and scheduling and, by adhering to the sales forecast, improve the efficiency of inventory management and reduce the stockout frequency.
5. Strengthen the e-commerce platform to enhance brand competitiveness through the sales of online courses, bundle sales involving raw materials, sales of co-branded products, live streaming sales, and improving platform content. In addition, assist online distributors to develop customized and exclusive products through the differentiation of products and customer groups to increase profit.

6. Strengthen the proposal pitching capacity of the central factory, combine the product proposals of the raw material suppliers with the sales of molds, and provide diversified product portfolio by providing mold design, cleaning supplies, heavy processing services, technician team services to strengthen the strategic cooperation of the central factory and reduce the operating cost of the clients.
7. Carry out alliances within the baking industry and across industries, through the co-branding of various channels, joint events, live broadcast of online influencers to increase the added value of the brand and add new sales and promotion channels.
8. Continue to promote energy-saving products, prompt the downstream manufacturers to reduce baking costs and increase production, and strengthen the promotion of new products to create profits.
9. Setting down deep roots in the Southeast Asian marketplace and penetrating the Europe and American markets.

### III. Future corporate development strategy:

- (I) In recent years, our clients have pursued personalization and customization in order to cater to their consumers, so they will find ways to highlight the characteristics of their baking products, and continue to invest in research and development efforts, so that the baking terminal products will continue to develop and innovate. Thus, the Company deploys robust research and development capabilities to address the baking product trend towards diversity and to meet highly customized requirements. This comes in conjunction with expert bakers who are assiduously engaged in R&D of all manners of baking utensils. In this way, we aim to fully cater to the clients' diverse needs and keep pace with emerging market trends, thereby enhancing our income from custom-made products.
- (II) In view of the frequent food security incidents across the Taiwan Straits, as well as the stay-at-home economy brought about by the COVID-19 pandemic, the Company will actively integrate e-commerce and online shopping platforms, baking classrooms, mom's classrooms, live broadcasts of online influencers, and other channels to actively expand the B2C household market ratio.
- (III) The Company will continue to advance Group operational synergy and integrate its resources to enhance operating efficiency and competitiveness. This aims to achieve optimized resource distribution for the Company and create maximal operating value for our shareholders.
- (IV) Demand is rising for baking utensils in line with the growth in Asian economies as well as more robust personal income and changing food and beverage culture. The Company will continue to expand new markets, and it is evaluating the potential of the inter-industry food and beverage utensil field.
- (V) The Company is based in Taiwan, seeks to reach out in Asian markets, and eventually the global market. With the increasing cost of manufacturing in China every year, and that the Southeast Asian market has reached the economic scale of production and marketing, the Company does not rule out the establishment of a third production plant in the Southeast

Asian region, and seeks to integrate various resources of the Group to serve the local Southeast Asian markets nearby. Our goal is to increase the international market share, and diversify the international sales market to reduce dependence on the Chinese market.

#### IV. Impacts from External Competition, Laws and Regulations, and Macroeconomic Factors

##### (I) Impacts from External Competition

The bakeware industry is a relatively mature traditional industry, and the capital threshold is not high. Therefore, many competitors have arisen in recent years and especially in mainland China. Nonetheless, the Company has been deeply engaged in Taiwan, China, and Southeast Asia for many years and it has a complete distribution system, a complete series of product lines, and brand awareness. In addition, the Company has its own finishing plant that can meet customers' needs for product anode, dura mater and no-stick. This has been coupled with the benefits of automated production introduced in recent years, as well as upgraded R&D of innovative products and continuous investment in technology R&D power and service quality. We have been applying for and obtaining patents for our products and technology from around the world. Always adhering to the business philosophy of "integrity, professionalism, and innovation," together these strengths allow the Company to continually provide customers with products and services of the highest quality irrespective of changes in market conditions and customer demands. All these efforts are aimed at better meeting the overall needs of customers and becoming the best partner in the baking industry. Therefore, the Company will still be ahead of competitors in the bakeware industry for the foreseeable future.

##### (II) Impacts from Laws and Regulations

The Company is registered in the Cayman Islands, and mainly operates in Taiwan and the People's Republic of China. The Cayman Islands mainly engages in financial services, whereas Taiwan is an area where decrees, laws and regulations are very transparent and the jurisdiction system is sound; meanwhile, the People's Republic of China is now a member of the ASEAN–China Free Trade Area. China's economy has gradually opened up in recent years, and its legal regulations have gradually become aligned with international counterparts and achieved increased transparency for the sake of greater internationalization. In recent years, therefore, China has been gradually and more specifically revising its laws and regulations regarding food safety, intellectual property rights, environmental protection, and consumer protection. Always adhering to the business philosophy of integrity, the Company has been continuously implementing legal compliance; and it has adjusted, where necessary, its products, systems, and operating procedures to be in line with legal and regulatory changes. This is done so as to ensure compliance with updates to laws and regulations in the People's Republic of China.

The Company and its subsidiaries implement their business in accordance with critical local policies and the laws and regulations of the countries in which they are located. They pay attention to important policy trends and to changes in in both domestic and overseas laws. In case any changes occur, relevant consultation occurs with lawyers, accountants, or related responsible authorities. These parties might also be commissioned to assess and plan response measures in order to effect a timely response to changes in the market environment and to undertake responsive measures. In the most recent year and through the date of publication of this Annual Report, there was no significant impact on the Company's finances or business due to changes in important policies and laws in the Cayman Islands, Taiwan, or the People's Republic of China.

### (III) Impacts from the Macroeconomic Environment

1. The Group mainly sells to domestic, local markets of each subsidiary, where the currency paid and received are in denoted using the same local currency, which creates a natural hedging effect and therefore, changes in foreign exchange rates have little impact on operating performance. The Group's debt burden is not high, with the debt ratio maintaining its decrease to 26.14% in 2020, versus the already decreasing ratio of 26.48% in 2019. Therefore, changes in interest rates have little effect on our profitability.
2. In response to labor shortages and rising wages around the world, the Group has introduced automated equipment and optimization of operating procedures. This has reduced its dependence on labor, improved production and operational efficiency, and reduced personnel costs.
3. Southeast Asian emerging markets and China's third- and fourth-tier cities are conspicuous in terms of their continuous population growth and increasing national income, factors that have direct impact on the baking industry. Therefore, these areas will be the key markets for future development.
4. In response to the trend of a changed pattern of consumption in the baking industry due to the COVID-19 pandemic, the Company continue to make use of the R&D, production, and marketing resources of each subsidiary to adjust the structure of production and marketing of products and operating mode. This not only reduces the impact of the pandemic on sales, but also grasps the business opportunities brought about by the pandemic; this is the key for the Company to turn this crisis into an opportunity.

Chairman: Chang, Jui-Jung



## **Audit Committee Review Report**

The Board of Directors herewith submits the 2020 Business Report, Consolidated Financial Statements, and Profit Distribution Proposal, including the consolidated financial statements that have been audited by Angus Chang, CPA, and Connie Chen, CPA, of the Deloitte & Touche accounting firm, who have issued an audit report. The aforementioned business report, consolidated financial statement, and profit distribution proposal have been audited by this Audit Committee, and the Committee does not find any discrepancies. Thus, this report is made in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act; kindly review accordingly.

Sincerely,

San Neng Group Holdings Co., Ltd. 2021 Annual Report  
to the Shareholders' Meeting

San Neng Group Holdings Co., Ltd.

Audit Committee Convener Chen, Shuei-Jin

March 26, 2021

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
San Neng Group Holdings Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of San Neng Group Holdings Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended



December 31, 2020 is stated as follows:

#### Key Audit Matter - Recognition of Revenue from Main Customers

The consolidated operating revenue from the main customers of the Group accounted for more than 20% of the total consolidated operating revenue. The fluctuation of sales revenue of some of the Group's main customers higher than the average level of changes in the Group's overall consolidated operating revenue, which resulted in a significant impact on the financial performance of the Group. Therefore, we deemed the validity and occurrence of sales revenue from the main customers whose growth volatility is higher than the operating revenue growth of the Group as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4(n) to the consolidated financial statements.

We performed the following audit procedures in response to revenue recognition from main customers:

1. We obtained an understanding of the design and implementation of the internal controls related to the recognition of sales revenue, and tested the internal controls related to the validity and occurrence of sales revenue, and confirmed the effectiveness of the Group's internal control over sales revenue.
2. We selected samples from sales transactions of the abovementioned main customers, and reviewed shipping documents and subsequent collections, and confirmed the validity and occurrence of sales revenue.
3. We evaluated the reasonableness of the changes in sales revenue, gross profit margin, trade receivables turnover rate in days and credit terms of the abovementioned main customers from the previous year to the current year.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Keng-Hsi Chang and Chiang-Hsun Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2021

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 667,913	29	\$ 239,834	11
Financial assets at amortized cost - current (Notes 4, 7, 8 and 32)	13,131	1	412,733	19
Notes receivable (Notes 4, 5, 9 and 22)	22,165	1	18,709	1
Notes receivable from related parties (Notes 4, 5, 22 and 31)	32	-	82	-
Trade receivables (Notes 4, 5, 9 and 22)	229,964	10	203,113	9
Trade receivables from related parties (Notes 4, 5, 22 and 31)	4,914	-	6,135	-
Other receivables (Notes 4 and 9)	8,008	-	6,426	-
Current tax assets (Notes 4 and 24)	-	-	1,495	-
Inventories (Notes 4 and 10)	283,758	13	245,809	11
Prepayments (Note 17)	23,583	1	15,574	1
Net defined benefit assets - current (Notes 4 and 20)	-	-	6,352	-
Total current assets	<u>1,253,468</u>	<u>55</u>	<u>1,156,262</u>	<u>52</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 12)	-	-	423	-
Property, plant and equipment (Notes 4, 13 and 32)	949,675	42	954,154	43
Right-of-use assets (Notes 4 and 14)	27,973	1	36,298	2
Other intangible assets (Notes 4 and 16)	6,723	-	7,342	-
Goodwill (Notes 4, 15 and 26)	-	-	-	-
Deferred tax assets (Notes 4 and 24)	16,675	1	18,293	1
Other non-current assets (Notes 4 and 17)	<u>21,432</u>	<u>1</u>	<u>36,045</u>	<u>2</u>
Total non-current assets	<u>1,022,478</u>	<u>45</u>	<u>1,052,555</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 2,275,946</u>	<u>100</u>	<u>\$ 2,208,817</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 32)	\$ 57,000	3	\$ 74,600	3
Contract liabilities (Notes 4 and 22)	14,908	1	18,943	1
Notes payable	-	-	94	-
Trade payables	163,585	7	129,926	6
Trade payables to related parties (Note 31)	360	-	165	-
Other payables (Notes 19 and 28)	169,066	7	145,976	7
Current tax liabilities (Notes 4 and 24)	22,966	1	23,528	1
Lease liabilities - current (Notes 4 and 14)	2,947	-	4,971	-
Current portion of long-term borrowings (Notes 18 and 32)	<u>16,874</u>	<u>1</u>	<u>18,543</u>	<u>1</u>
Total current liabilities	<u>447,706</u>	<u>20</u>	<u>416,746</u>	<u>19</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 32)	130,954	6	148,563	7
Deferred tax liabilities (Notes 4 and 24)	10,947	-	10,947	-
Lease liabilities - non-current (Notes 4 and 14)	4,972	-	8,271	-
Other non-current liabilities (Note 19)	<u>526</u>	<u>-</u>	<u>258</u>	<u>-</u>
Total non-current liabilities	<u>147,399</u>	<u>6</u>	<u>168,039</u>	<u>7</u>
Total liabilities	<u>595,105</u>	<u>26</u>	<u>584,785</u>	<u>26</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)</b>				
Share capital - ordinary shares	607,500	27	607,500	28
Capital surplus	649,031	28	649,031	29
Retained earnings	533,130	23	496,170	22
Other equity	<u>(120,227)</u>	<u>(5)</u>	<u>(137,221)</u>	<u>(6)</u>
Total equity attributable to owners of the Company	1,669,434	73	1,615,480	73
<b>NON-CONTROLLING INTERESTS (Notes 4 and 21)</b>	<u>11,407</u>	<u>1</u>	<u>8,552</u>	<u>1</u>
Total equity	<u>1,680,841</u>	<u>74</u>	<u>1,624,032</u>	<u>74</u>
<b>TOTAL</b>	<u>\$ 2,275,946</u>	<u>100</u>	<u>\$ 2,208,817</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

## SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 22 and 31)	\$ 1,913,403	100	\$ 1,895,403	100
OPERATING COSTS				
Cost of goods sold (Notes 10, 23 and 31)	<u>(1,145,847)</u>	<u>(60)</u>	<u>(1,196,188)</u>	<u>(63)</u>
GROSS PROFIT	<u>767,556</u>	<u>40</u>	<u>699,215</u>	<u>37</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	(247,953)	(13)	(244,015)	(13)
General and administrative expenses	(160,616)	(9)	(157,816)	(8)
Research and development expenses	(83,271)	(4)	(92,211)	(5)
Expected credit (loss) gain (Notes 4 and 9)	<u>(296)</u>	<u>-</u>	<u>573</u>	<u>-</u>
Total operating expenses	<u>(492,136)</u>	<u>(26)</u>	<u>(493,469)</u>	<u>(26)</u>
PROFIT FROM OPERATIONS	<u>275,420</u>	<u>14</u>	<u>205,746</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Interest income	11,080	1	10,127	-
Other income	8,959	-	20,783	1
Other gains and losses	(7,429)	-	(1,445)	-
Finance costs	(3,556)	-	(4,415)	-
Share of loss of associates and joint ventures (Note 12)	<u>-</u>	<u>-</u>	<u>(621)</u>	<u>-</u>
Total non-operating income and expenses	<u>9,054</u>	<u>1</u>	<u>24,429</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	284,474	15	230,175	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(64,058)</u>	<u>(4)</u>	<u>(42,382)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>220,416</u>	<u>11</u>	<u>187,793</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	953	-	15,776	-

(Continued)

## SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>(1,461)</u>	-	<u>(2,205)</u>	-
	<u>(508)</u>	-	<u>13,571</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>16,937</u>	<u>1</u>	<u>(41,677)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>16,429</u>	<u>1</u>	<u>(28,106)</u>	<u>(2)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>\$ 236,845</u></u>	<u><u>12</u></u>	<u><u>\$ 159,687</u></u>	<u><u>8</u></u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 222,118	12	\$ 188,940	10
Non-controlling interests	<u>(1,702)</u>	-	<u>(1,147)</u>	-
	<u><u>\$ 220,416</u></u>	<u><u>12</u></u>	<u><u>\$ 187,793</u></u>	<u><u>10</u></u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 238,604	12	\$ 160,946	8
Non-controlling interests	<u>(1,759)</u>	-	<u>(1,259)</u>	-
	<u><u>\$ 236,845</u></u>	<u><u>12</u></u>	<u><u>\$ 159,687</u></u>	<u><u>8</u></u>
<b>EARNINGS PER SHARE (Note 25)</b>				
From continuing operations				
Basic	<u>\$ 3.66</u>		<u>\$ 3.11</u>	
Diluted	<u>\$ 3.64</u>		<u>\$ 3.10</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company						Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations			
			Statutory Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2019	\$ 607,500	\$ 648,997	\$ 24,384	\$ 74,153	\$ 377,372	\$ (95,656)	\$ 1,636,750	\$ 3,708	\$ 1,640,458
Appropriation of 2018 earnings (Note 21)									
Statutory reserve	-	-	17,847	-	(17,847)	-	-	-	-
Special reserve	-	-	-	21,503	(21,503)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(182,250)	-	(182,250)	-	(182,250)
Other changes in capital surplus									
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 12 and 28)	-	34	-	-	-	-	34	-	34
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	188,940	-	188,940	(1,147)	187,793
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	13,571	(41,565)	(27,994)	(112)	(28,106)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	202,511	(41,565)	160,946	(1,259)	159,687
Increase in non-controlling interests (Note 21)	-	-	-	-	-	-	-	6,103	6,103
BALANCE AT DECEMBER 31, 2019	607,500	649,031	42,231	95,656	358,283	(137,221)	1,615,480	8,552	1,624,032
Appropriation of 2019 earnings (Note 21)									
Statutory reserve	-	-	18,895	-	(18,895)	-	-	-	-
Special reserve	-	-	-	41,565	(41,565)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(182,250)	-	(182,250)	-	(182,250)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	222,118	-	222,118	(1,702)	220,416
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(508)	16,994	16,486	(57)	16,429
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	221,610	16,994	238,604	(1,759)	236,845
Changes in percentage of ownership interests in subsidiaries (Notes 21 and 27)	-	-	-	-	(2,400)	-	(2,400)	(2,198)	(4,598)
Increase in non-controlling interests (Notes 21 and 26)	-	-	-	-	-	-	-	6,812	6,812
BALANCE AT DECEMBER 31, 2020	<u>\$ 607,500</u>	<u>\$ 649,031</u>	<u>\$ 61,126</u>	<u>\$ 137,221</u>	<u>\$ 334,783</u>	<u>\$ (120,227)</u>	<u>\$ 1,669,434</u>	<u>\$ 11,407</u>	<u>\$ 1,680,841</u>

The accompanying notes are an integral part of the consolidated financial statements.

# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 284,474	\$ 230,175
Adjustments for:		
Expected credit loss recognized (reversed) on trade receivables	296	(573)
Depreciation expense	84,493	77,731
Amortization expense	3,499	4,377
Finance costs	3,556	4,415
Interest income	(11,080)	(10,127)
Share of loss of associates and joint ventures	-	621
Loss on disposal of property, plant and equipment	744	1,410
Write-downs of inventories	-	2,610
Impairment loss on goodwill	440	-
Net loss on foreign currency exchange	4,763	5,055
Changes in operating assets and liabilities		
Notes receivable	(3,452)	7,750
Notes receivable from related parties	50	49
Trade receivables	(23,730)	9,791
Trade receivables from related parties	1,067	7,204
Other receivables	(3,560)	109
Inventories	(34,635)	24,937
Prepayments	(6,165)	12,017
Net defined benefit assets	7,305	-
Contract liabilities	(4,239)	582
Notes payable	(94)	(1,643)
Trade payables	31,129	26,642
Trade payables to related parties	234	171
Other payables	15,823	8,794
Net defined benefit liabilities - non-current	-	(742)
Cash generated from operations	350,918	411,355
Interest received	1,799	3,818
Income tax paid	(63,172)	(48,573)
Net cash generated from operating activities	289,545	366,600
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(413,587)
Proceeds from sale of financial assets at amortized cost	397,566	-
Increase in prepayments for investment	-	(7,109)
Net cash inflow from acquisition of subsidiary (Note 26)	10,860	-
Payments for property, plant and equipment	(45,505)	(97,835)
Proceeds from disposal of property, plant and equipment	193	442
Payments for intangible assets	(1,005)	(1,474)
Payments for right-of-use assets	-	(3,858)
Increase in other non-current assets	(8,454)	(8,481)
Interest received	12,001	5,615
Net cash generated from (used in) investing activities	365,656	(526,287)

(Continued)



# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	120,000	122,685
Repayments of short-term borrowings	(137,690)	(124,500)
Proceeds from long-term borrowings	-	2,817
Repayments of long-term borrowings	(19,287)	(25,014)
Proceeds from guarantee deposits received	256	-
Repayment of the principal portion of lease liabilities	(4,968)	(6,585)
Dividends paid to owners of the Company	(182,250)	(184,980)
Interest paid	(3,557)	(4,414)
Increase in non-controlling interests	-	6,103
Acquisition of additional interests in subsidiary (Note 27)	(4,598)	-
Payments for transactions costs attributable to the issue of ordinary shares	<u>-</u>	<u>(7,000)</u>
Net cash used in financing activities	<u>(232,094)</u>	<u>(220,888)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>4,972</u>	<u>(6,825)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	428,079	(387,400)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>239,834</u>	<u>627,234</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 667,913</u>	<u>\$ 239,834</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)



## Earnings Distribution Table

2020

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the period	115,573,015
Add: Current comprehensive income	221,609,814
Reversed of special surplus reserves	16,994,423
Less: Appropriation of statutory surplus reserve	(22,211,748)
Changes in percentage of ownership interests in subsidiaries	(2,400,300)
Distributable earnings of the current year	329,565,204
Shareholders' bonus - cash (NT\$3 per share)	(182,250,000)
Undistributed earnings at the end of the period	147,315,204
Note: All the dividends are distributed in cash (NT\$3 per share).	182,250,000



Comparison Table for Amendments to the Rules of Procedure for Shareholders  
Meetings

Articles	Prior Articles	Amended Articles	Details
Article 9	<p>The first item is omitted.</p> <p>When the noticed meeting onset time arises, the chairman shall call the meeting to order immediately.</p> <p>Provided, however, that if a majority of the total number of shares issued is not represented at the meeting, the chairman may postpone the meeting. The postponement is limited to 2 times and the total delayed time shall not be more than 1 hour. If the quorum is not met after two postponements, the chairman shall declare the meeting dismissed.</p> <p>The following is omitted.</p>	<p>The first item is omitted.</p> <p>When the noticed meeting onset time arises, the chairman shall call the meeting to order immediately. At the same time, relevant information such as the number of non-voting rights and the number of shares present will be announced.</p> <p>Provided, however, that if a majority of the total number of shares issued is not represented at the meeting, the chairman may postpone the meeting. The postponement is limited to 2 times and the total delayed time shall not be more than 1 hour. If the quorum is not met after two postponements, the chairman shall declare the meeting dismissed.</p> <p>The following is omitted.</p>	In line with amendment to laws and regulations
Article 14	<p>When selecting a Director or Supervisor in the shareholders' meeting, the election thereof shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced on the spot immediately, including the names of the elected Directors or Supervisors, and the numbers of votes thereof.</p> <p>The second item is omitted.</p>	<p>When selecting a Director or Supervisor in the shareholders' meeting, the election thereof shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced on the spot immediately, including the names of the elected Directors or Supervisors, and the numbers of votes thereof, as well as the list of unelected directors and supervisors and the number of election rights they have obtained.</p> <p>The second item is omitted.</p>	In line with amendment to laws and regulations

The Chinese version is only for reference, the actual English version contents are deemed authoritative and determinative.

The Company is established as a Company limited by shares, pursuant to the Companies Law (as revised) of the Cayman Islands.

**San Neng Group Holdings Co., LTD.  
Amended and Restated Memorandum of  
Association and Articles of Incorporation**

(as adopted by a Special Resolution passed on 19th day of June, 2020)

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THE CAYMAN ISLANDS  
THE COMPANIES LAW (AS REVISED)  
COMPANY LIMITED BY SHARES

AMENDED AND RESTATED  
MEMORANDUM OF ASSOCIATION

OF

**San Neng Group Holdings Co., LTD.**

三能集團控股股份有限公司

(as adopted by a Special Resolution passed on 19<sup>th</sup> day of June, 2020)

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1. The name of the Company is San Neng Group Holdings Co., LTD. 三能集團控股股份有限公司.
2. The Registered Office of the Company shall be situated at the offices of Portcullis (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. Cayman Islands or such other place within the Cayman Islands as the Board may from time to time decide, being the registered office of the Company.
3. Subject to the following provisions of this Memorandum of Association, the objects for which the Company is established are unrestricted, and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as revised).
4. Subject to the following provisions of this Memorandum of Association, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law (as revised).
5. Nothing in this Memorandum of Association shall permit the Company to carry on a business of a bank or trust company without being licensed in that behalf under the Banks and Trust Companies Law (as revised) or to carry on insurance business from within the Cayman Islands or the business of an insurance manager, agent, sub-agent or broker without being licensed in that behalf under the Insurance Law (as revised) or to carry on the business of company management without being

licensed in that behalf under the Companies Management Law (as revised).

6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
  
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
  
8. The share capital of the Company is NT\$2,000,000,000 divided into 200,000,000 ordinary shares of a nominal or par value of NT\$10 each with power for the Company, subject to the provisions of the Companies Law (as revised) and the Articles of Association, to redeem or purchase any of its shares and to sub-divide, increase or reduce the said capital and to issue any part of its capital, original, redeemed, increased or reduced, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be ordinary, preference or otherwise, shall be subject to the power hereinbefore contained.
  
9. Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company and the interpretations section of the Articles of Association of the Company shall apply to this Memorandum of Association.

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THE CAYMAN ISLANDS  
THE COMPANIES LAW (AS REVISED)  
COMPANY LIMITED BY SHARES

AMENDED AND RESTATED ARTICLES OF  
ASSOCIATION

OF

**San Neng Group Holdings Co., LTD.**

三能集團控股股份有限公司

(as adopted by a Special Resolution passed on 19<sup>th</sup> day of June, 2020)

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INTERPRETATION

1. The Regulations contained or incorporated in Table A of the First Schedule of the Companies Law of the Cayman Islands (as amended, supplemented or otherwise modified from time to time) shall not apply to this Company.
2. (1) In these Articles the following terms shall have the meanings set opposite unless the context otherwise requires:

Acquisition	means acquiring shares, business or assets of another company in exchange for shares, cash or other assets under the Business Mergers And Acquisitions Act, the Company Act, the Securities and Exchange Act, The Financial Institutions Merger Act or the Financial Holding Company Act of R.O.C.
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Applicable Listing Rules	the relevant laws, regulations, rules and codes as amended, from time to time, applicable as a result of the original and continued trading or listing of any shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of the Securities and Exchange Act of the R.O.C., the Company Act of the R.O.C., the Act Governing Relations Between Peoples of the Taiwan Area and the Mainland Area, and any similar laws,
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	statutes and the rules and regulations of the R.O.C. authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the TPEX and the TWSE (where applicable);
Articles	these Articles of Association of the Company in their present form, as amended, substituted or supplemented from time to time by a Special Resolution;
Auditors	the certified public accountant (if any) retained by the Company to audit the accounts of the Company, to audit and/or certify the financial statements of the Company or to perform other similar duties as assigned or requested by the Company for the time being;
Board	the board of Directors of the Company comprising all the Directors;
Capital Reserve	means (1) the Share Premium Account, (2) income from endowments received by the Company and (3) other items generated and treated as capital reserve pursuant to the Applicable Listing Rules or generally accepted accounting principles;
Chairman	has the meaning given thereto in Article 70;
Class or Classes	any class or classes of Shares as may from time to time be issued by the Company in accordance with these Articles;
Commission	the Financial Supervisory Commission of the R.O.C. or any other authority for the time being administering the Securities and Exchange Act of the R.O.C.;
Company	San Neng Group Holdings Co., LTD. 三能集團控股股份有限公司;



Consolidation	the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company within the meaning of the Law and the Applicable Listing Rules;
Director	a director of the Company or an Independent Director (if any) for the time being who collectively form the Board, and “Directors” means 2 or more of them (including any and all Independent Director(s));
Discount Transfer	has the meaning set out in Article 23(4);
Electronic	shall have the meaning given to it in the Electronic Transactions Law (as revised) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force including every other law incorporated therewith or substituted therefore;
Electronic Transactions Law	The Electronic Transactions Law (as amended) of the Cayman Islands;
Emerging Market	the emerging market board of the TPEX in Taiwan;
Employees	employees of the Company and/or any of the parent or Subordinate Companies of the Company meeting certain specific requirements, as determined by the Board from time to time in its sole discretion, and “Employee” shall mean any one of them;
Financial Statements	has the meaning set out in Article 105;
Independent Directors	those Directors designated as "Independent Directors" who are elected by the Members at a general meeting and appointed as "Independent Directors" for the purpose of these Articles and the requirements of the Applicable Listing Rules, and “Independent Director” means any one of them;

Juristic Person	a firm, corporation or other organization which is recognised by the Law and the Applicable Listing Rules as a legal entity;
Law	the Companies Law of the Cayman Islands and any amendment or other statutory modification thereof and every other act, order, regulation or other instrument having statutory effect (as amended from time to time) for the time being in force in the Cayman Islands applying to or affecting the Company, the Memorandum and/or these Articles, and where in these Articles any provision of the Law is referred to, the reference is to that provision as modified by any law for the time being in force;
Member or Shareholder	a Person who is duly registered as the holder of any Share or Shares in the Register for the time being, including persons who are jointly so registered and “Members” or “Shareholders” means 2 or more of them;
Memorandum	the memorandum of association of the Company, as amended or substituted from time to time;
Merger	the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company within the meaning of the Law and the Applicable Listing Rules;
Merger and/or Acquisition Transaction	means (1) Consolidation, (2) Merger, (3) Acquisition, (4) Spin-off, or (5) Share Exchange.
Month	a calendar month;
NTD	New Taiwan Dollars;
Ordinary Resolution	a resolution:- (a) passed by a simple majority of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Members

being Juristic Persons, by their respective duly authorised representatives or, where proxies are allowed, by proxy, present at a general meeting of the Company held in accordance with these Articles; and

- (b) at any time other than during the Relevant Period, approved in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being Juristic Persons by their duly authorized representatives); and
- (c) where the Company has only one Member, approved in writing by such Member signed by such Member and the effective date of the resolution so adopted shall be the date on which the instrument is executed;

Person	any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;
Preferred Shares	has the meaning given thereto in Article 4;
Private Placement	an offer by the Company of its Shares, bonds and other securities approved by the Commission to specific persons pursuant to the Applicable Listing Rules;
Register	the register of Members of the Company maintained in accordance with the Law at such place within or outside the Cayman Islands;
Registered Office	the registered office of the Company for the time being as required under the Law;
Relevant Period	the period commencing from the date on which any of the securities of the Company first become public offering or registered or listed on the Emerging Market, the TPEX, the TWSE or any Taiwan stock exchange or securities market to and including the date immediately before the day on which none of

such securities are so registered or listed (and so that if at any time registration or listing of any such securities is suspended for any reason whatsoever and for any length of time, they shall nevertheless be treated, for the purpose of this definition, as registered or listed);

R.O.C. or Taiwan

the Republic of China, its territories, its possessions and all areas subject to its jurisdiction;

R.O.C. Courts

the Taiwan Taipei District Court or any other competent courts in the R.O.C.;

Seal

the common seal of the Company (if applicable) or any facsimile or official seal (if applicable) for the use outside of the Cayman Islands;

Secretary

any Person for the time being appointed by the Directors to perform any of the duties of the secretary of the Company and including any assistant, deputy, acting or temporary secretary;

Share

any share in the capital of the Company. All references to "Shares" herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression "Share" shall include a fraction of a Share;

Share Exchange

Transfer of all its issued Shares to another company in exchange for shares, cash or other assets in another company as the consideration for shareholders of the transferring company.

Share Premium Account

the share premium account of the Company established in accordance with these Articles and the Law;

Shareholder Service Agent

the agent licensed by the R.O.C. authorities and having its offices in the R.O.C. to provide shareholder services, in accordance with the

Applicable Listing Rules and the Regulations Governing the Administration of Shareholder Services of Public Companies of the R.O.C. (as revised), to the Company;

signed

bearing a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a Person with the intent to sign the electronic communication;

Special Reserve

has the meaning set out in Article 96;

Special Resolution

a special resolution of the Company passed in accordance with the Law, being a resolution:

- (a) passed by a majority of at least two-thirds of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Members being Juristic Persons, by their respective duly authorised representatives or, where proxies are allowed, by proxy, present at a general meeting of the Company held in accordance with these Articles, of which notice, specifying (without prejudice to the power contained in these Articles to amend the same) the intention to propose the resolution as a Special Resolution, has been duly given; and
- (b) at any time other than during the Relevant Period, approved in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being Juristic Persons by their duly authorized representatives); and
- (c) where the Company has only one Member, approved in writing by such Member signed by such Member and the effective date of the

special resolution so adopted shall be the date on which the instrument is executed.

A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of these Articles;

Spin-off	an act wherein a transferor company transfers all of its independently operated business or any single independently operated business to an existing or a newly incorporated company as consideration for that existing transferee company or newly incorporated transferee company to give shares, cash or other assets to the transferor company or to shareholders of the transferor company;
Statutory Reserve	a reserve set aside in an amount equal to ten percent (10%) of the annual profits of the Company under the Applicable Listing Rules;
Subordinate Company	any company (a) of which a majority of the total outstanding voting shares or the total amount of the capital stock is held by the Company; (b) in which the Company has a direct or indirect control over the management of the personnel, financial or business operation of that company; (c) of which a majority of directors in such company are contemporarily acting as directors in the Company; or (d) of which a majority of the total outstanding voting shares or the total amount of the capital stock of such companies and that of the Company are held by the same Members;
TDCC	the Taiwan Depository & Clearing Corporation;
TPEX	the Taipei Exchange in Taiwan;
Treasury Shares	Shares that have been purchased by the Company and have not been cancelled but have been held

continuously by the Company since they were purchased in accordance with the Law; and

TWSE

the Taiwan Stock Exchange Corporation.

- (2) Unless the context otherwise requires, expressions defined in the Law and used herein shall have the meanings so defined.
- (3) In these Articles unless the context otherwise requires:
  - (i) words importing the singular number shall include the plural number and vice-versa;
  - (ii) words importing the masculine gender shall include the feminine gender and neuter genders;
  - (iii) a notice provided for herein shall be in writing unless otherwise specified and all reference herein to "in writing" and "written" shall include printing, lithography, photography and other modes of representing or reproducing words in permanent visible form; and
  - (iv) "may" shall be construed as permissive and "shall" shall be construed as imperative.
- (4) Headings used herein are intended for convenience only and shall not affect the construction of these Articles.

## SHARES

3. Subject to these Articles and any resolution of the Members to the contrary, the Board may, in respect of all Shares for the time being unissued:
  - (a) offer, issue and allot of such Shares to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine, but so that no Share shall be issued at a discount, except in accordance with the provisions of the Law and, if during the Relevant Period, the Applicable Listing Rules; and
  - (b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto, in accordance with the provisions of the Law and, if during the Relevant

Period, the Applicable Listing Rules; and, for such purposes, the Board may reserve an appropriate number of Shares for the time being unissued.

- 3.1. When conducting its business, the Company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.
  
4. Subject to Article 5 and the sufficiency of the authorised share capital of the Company, the Company may issue Shares of different Classes with rights which are preferential or inferior to those of ordinary Shares issued by the Company (“**Preferred Shares**”) with the approval of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors.
  
5. (1) Where the Company is to issue Preferred Shares, the following shall be expressly set out in these Articles:
  - (a) the total number of Preferred Shares that have been authorised to be issued and the numbers of the Preferred Shares already issued;
  - (b) the order, fixed amount or fixed ratio of allocation of dividends, bonuses and other distributions on such Preferred Shares;
  - (c) the order, fixed amount or fixed ratio of allocation of surplus assets of the Company, upon its liquidation, to the holders of the Preferred Shares;
  - (d) the order of or restrictions on the voting right(s) (including, where applicable, a statement that such Preferred Shares have no voting rights whatsoever) of the holders of such Preferred Shares;
  - (e) other matters concerning rights and obligations incidental to the Preferred Shares; and
  - (f) the method by which the Company is authorised or compelled to redeem the Preferred Shares, or a statement that redemption rights shall not apply.
  
- (2) Subject to the Law, the Memorandum and these Articles shall be amended with the sanction of a Special Resolution to stipulate the rights, benefits and restrictions of such Preferred Shares and the number of the Preferred Shares the Company is authorised to issue.



6. During the Relevant Period, subject to the sufficiency of the authorised share capital of the Company and these Articles, the issue of new ordinary Shares in the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors.
7.
  - (1) The Company shall issue Shares without printing share certificates, provided that the Register shall be conclusive evidence of the entitlement of a Person to Shares recorded against his/her/its name. During the Relevant Period, whenever the Company issues Shares, the Company shall deliver or cause the Shareholder Service Agent to deliver Shares by advising TDCC to record the number of Shares against the name of each subscriber within thirty (30) days from the date such Shares may be delivered, pursuant to the Law. The Company shall make a public announcement in accordance with the Applicable Listing Rules prior to the delivery of such Shares.
  - (2) The Company shall not issue bearer Shares.
  - (3) The Company shall not issue any unpaid Shares or partial paid-up Shares to any Person.
8. During the Relevant Period:
  - (a) upon each issuance of new Shares (other than resulting from or in connection with any Merger or Consolidation of the Company, Spin-off of the Company's business, any reorganisation of the Company, asset acquisition, share swap, exercise of share options or warrants granted to the Employees, conversion of convertible securities or debt instruments, exercise of subscription warrants or rights to acquire Shares vested with preferential or special rights, where the Company issues new Shares to the existing Members by capitalisation of its reserves in accordance with these Articles, Private Placement or other issuance of Shares for consideration other than cash), the Board may reserve not more than fifteen percent (15%) of the new Shares for subscription by the Employees pursuant to the Law and the Applicable Listing Rules; and
  - (b) where the Company issues new Shares for cash consideration, after the Board reserving certain percentage of the new Shares for subscription by the Employees pursuant to subsection (a) of this Article, the Company shall allocate ten percent (10%) (or such greater percentage as the Company by an Ordinary Resolution determines) of the total number of the new Shares to be issued for offering in the R.O.C. to the public unless (i) the Commission, the TPEX and/or the TWSE (where applicable) considers such public offering unnecessary or inappropriate or (ii) the Applicable Listing Rules provide otherwise.

9. During the Relevant Period, subject to an Ordinary Resolution, upon each issuance of new Shares for cash consideration, the Company shall, after reserving the portion of new Shares for subscription by the Employees and public offering in the R.O.C. pursuant to Article 8, first offer such remaining new Shares, by a public announcement and a written notice to each existing Member respectively, stating that in case any such existing Member fails to confirm his/her/its subscription within the prescribed period his/her/its subscription right shall be forfeited, for the subscription of each such existing Member in proportion to the number of Share(s) held by him/her/it, provided that:
- (a) where any fractional Share held by a Member is insufficient to subscribe for one new Share, the fractional Shares being held by several Members may be combined for joint subscription of one or more integral new Shares or for subscription of new Shares in the name of a single Member;
  - (b) the existing Member(s) may assign and transfer his subscription right to other Persons independently of his original Shares; and
  - (c) new Shares left unsubscribed may be offered to the public or to specific Persons through negotiation.
- 9.1(1) A subscriber should pay for his/her/its subscription pursuant to the preceding Article and within the designated period, if a subscriber delays payment for shares as provided in the preceding article, the Company shall fix a period of not less than one (1) month and call upon each subscriber to pay up, declaring that in case of default of payment within the stipulated period their right shall be forfeited. After the Company have made the aforesaid call, the subscribers who fail to pay accordingly shall forfeit their rights and the shares subscribed to by them shall be otherwise sold. Under the aforesaid circumstances, compensation for loss or damage, if any, may still be claimed against such defaulting subscribers.
- (2) The preceding Paragraph shall not apply if the Company designates the prescribed period longer than one (1) month pursuant to Article 9.
10. Article 9 and Article 9.1 shall not apply whenever the new Shares are issued for the following purpose:
- (a) in connection with a Merger or a Consolidation of the Company or a Spin-off of the Company's business, or pursuant to any reorganisation of the Company;

- (b) in connection with meeting the Company's obligation under Share subscription warrants and/or options granted to the Employees;
  - (c) in connection with meeting the Company's obligation under corporate bonds which are convertible bonds or vested with rights to acquire Shares;
  - (d) in connection with meeting the Company's obligation under share subscription warrant or Preferred Shares vested with rights to acquire Shares;
  - (e) in connection with any share swap arrangement entered into by the Company, or
  - (f) in connection with any Private Placement conducted pursuant to Article 13; or
  - (g) in connection with any other event otherwise prohibited, limited, restricted or exempted to so apply pursuant to the Law and/or the Applicable Listing Rules.
11. During the Relevant Period, subject to the Applicable Listing Rules, the Company may, upon adoption of a resolution passed by a majority of the Directors present at a meeting of the Board attended by two-thirds or more of the total number of Directors, enter into a share subscription right agreement with the Employees whereby such Employees may subscribe, within a specific period of time, for a specific number of Shares of the Company at an agreed subscription price. Upon execution of the said agreement, the Company shall issue to each of such Employees a share subscription warrant. Such issued share subscription warrant shall be non-assignable, except for transfer by inheritance or intestacy.
12. During the Relevant Period, the Company may, subject to approval of Shareholders by way of Special Resolution, issue new Shares with restricted rights as approved by such Special Resolution to Employees of the Company and/or its parent or Subordinate Companies meeting certain specific requirements, provided that Articles 8 and 9 shall not apply. In respect of the issuance of Shares to Employees in the preceding sentence, the number of Shares to be issued, issue price, issue conditions, restrictions and other matters shall be subject to the Applicable Listing Rules and the Law.
13. (1) During the Relevant Period and subject to the Applicable Listing Rules, the Company may, with the sanction of a Special Resolution, conduct a Private Placement with any of the following Persons in the R.O.C.:
- (a) banks, bills finance enterprises, trust enterprises, insurance enterprises, securities

enterprises, or other Juristic Persons or institutions approved by the Commission;

(b) natural persons, Juristic Persons, or funds meeting the conditions prescribed by the Commission; or

(c) directors, supervisors, officers and managers of the Company or its affiliated enterprises.

(2) Subject to the preceding Paragraph, the Board may resolve by a majority of the Directors presents at a meeting attended by two-thirds or more of the total numbers of the Directors that a Private Placement of ordinary corporate bonds be carried out by installments within one year of the date of such resolution.

14. The Company may by a Special Resolution reduce its share capital in the manner authorised, and subject to any conditions prescribed, by the Law and the Applicable Listing Rules.
15. During the Relevant Period, any issuance, conversion or cancellation of the Shares or any other equity securities (including but not limited to warrants, options or bonds), capitalisation and shareholder services, shall comply with the Law, the Applicable Listing Rules and the Regulations Governing the Administration of Shareholder Services of Public Companies of the R.O.C. (as revised).

#### MODIFICATION OF RIGHTS

16. Whenever the share capital of the Company is divided into different Classes of Shares, including where Preferred Shares are issued, subject to Article 46 and in addition to a Special Resolution, the special rights attached to any Class shall be varied or abrogated with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of such Class. To every such separate general meeting and all adjournments thereof, all the provisions of these Articles relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply.
17. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of Shares of any Class by the Company.

#### REGISTER

18. Subject to the Law, the Board shall cause to be kept the Register at such place within or outside the Cayman Islands as it deems fit. During the Relevant Period, the Register shall be entered therein the particulars required under the Law and the Applicable Listing Rules, and shall be made available at its Shareholder Service Agent's office in the R.O.C. Any shareholder may request at any time, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect, transcribe and to make copies; the Company shall make the Shareholder Service Agent to provide with the access. The Board or other authorized conveners of general meetings may require the Company or its Shareholder Service Agent to provide with the Register.
19. Notwithstanding anything contained in these Articles and subject to the Law, during the Relevant Period, the relevant information of the Members shall be recorded by TDCC, and the Company shall recognize each person identified in the records provided by TDCC to the Company as a Member and such records shall form part of the Register as at the date of receipt of such records by the Company.

#### REDEMPTION AND REPURCHASE OF SHARES

20. (1) Subject to the Law and these Articles, Shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of the shares, may by Special Resolution determine.
- (2) All Preferred Shares may be redeemed in accordance with the provisions of the Law, provided that the privileges accorded to holders of the Preferred Shares by these Articles shall not be impaired under the Law and the Applicable Listing Rules.
21. (1) Subject to the Law, the Applicable Listing Rules and these Articles, upon the approval of a majority of the Directors present at a Board meeting attended by two-thirds or more of Directors, the Company may purchase its own Shares.
- (2) During the Relevant Period:
- (a) The number of Shares to be purchased by the Company from time to time shall not exceed ten percent (10%) of the total number of issued and outstanding Shares and the total amount of the Shares to be purchased by the Company shall not exceed the aggregate amount of retained profits, premium

on capital stock, and realized Capital Reserve.

(b) Such resolutions of the Board approving purchases of Shares and the implementation thereof (including the failure of any purchase of Shares as approved by such resolutions, if any) shall be reported to the Shareholders at the next general meeting of the Company.

22. (1) Shares repurchased, redeemed or acquired (by way of surrender or otherwise) by the Company shall be cancelled immediately or held as Treasury Shares, upon such terms and manner and subject to such conditions as the Board thinks fit.
- (2) During the Relevant Period, all matters relating to the Company's redemption and repurchase of Shares shall be subject to the Law and the Applicable Listing Rules.
23. (1) Subject to the Law, for so long as the Company holds Treasury Shares, the Company shall be entered in the Register as the holder of the Treasury Shares, provided that:
- (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
- (b) the Treasury Shares shall not be pledged or encumbered in any manner whatsoever;
- (c) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued Shares at any given time, whether for the purposes of these Articles or the Law; and
- (d) no dividend/bonus may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company, in respect of a Treasury Share.
- (2) Subject to the Law and these Articles, any or all Treasury Shares may at any time be canceled or transferred to any person (including the Employees; the qualifications of such employees shall be determined by the Board, subject to Paragraph (5) of this Article) upon such terms and manner and subject to such conditions as the Board thinks fit. The Board may determine, at its discretion, the terms and conditions (including a lock-up period restricting the transfer of any Treasury Shares transferred to the

Employees pursuant to this Paragraph (2) for a term of up to two (2) years) of such transfer.

- (3) A sum equal to the consideration (if any) received by the Company pursuant to the transfer of Treasury Share(s) shall be credited in accordance with the Law.
- (4) Subject to Paragraph (5) of this Article and the Law, the Company may, by way of a Special Resolution passed at the next general meeting of the Company, transfer the Treasury Shares to the Employees for a price that is below the average price that the Company has paid to purchase such Treasury Shares (the “**Discount Transfer**”), provided that the following matters shall be specified in the notice of such general meeting with the description of their major contents, and shall not be proposed as ad hoc motions:
  - (a) the transfer price of the Treasury Shares as determined by the Board, the discount rate used for the Discount Transfer, and the calculation basis of the Discount Transfer, and the basis of such determination;
  - (b) the amount of the Treasury Shares to be transferred pursuant to, and the purpose of, the Discount Transfer, and the basis of such determination;
  - (c) the qualification and terms of the Employees to whom the Treasury Shares are transferred and the amount of Treasury Shares for which such Employees may subscribe pursuant to the Discount Transfer;
  - (d) matters that the Board is of the opinion that may affect Shareholders' equity, including:
    - (i) any expenses that may be incurred and dilution of per share profit, if any, due to the Discount Transfer in accordance with the Applicable Listing Rules; and
    - (ii) any burden on the Company caused by the Discount Transfer in accordance with the Applicable Listing Rules.
- (5) The total aggregate amount of the Treasury Shares to be transferred to the Employees pursuant to the Discount Transfer in accordance with Paragraph (4) of this Article shall not exceed five percent (5%) of the total number of issued and outstanding Shares of the

Company, and each Employee shall not subscribe for more than point five percent (0.5%) of the total issued and outstanding Shares of the Company in aggregate.

24. (1) Notwithstanding anything to the contrary contained in these Articles but subject to the Law, the Company may carry out a compulsory purchase and cancellation of its Shares on a pro rata basis (rounded up or down to the nearest whole number) among the Shareholders in proportion to the number of Shares held by each such Shareholder subject to approval by a Special Resolution. The purchase price payable to the Shareholders in connection with a purchase of Shares described in the preceding sentence may be paid in cash or in kind. Where any purchase price is paid in kind, the type of such payment in kind and the corresponding amount of such substitutive distribution shall be subject to approval by a Special Resolution as well as individual consent by the Shareholder(s) receiving such payment in kind. Prior to convening the general meeting for approving such purchase of Shares, the Board shall determine the monetary equivalent value of any purchase price to be paid in kind and have such value audited and certified by a certified public accountant in the R.O.C.
- (2) For the avoidance of doubt, where the proposed purchase and cancellation of Shares is not on a pro rata basis, subject to the Law and the Applicable Listing Rules, the Board is empowered to authorize and carry out such repurchase without approval by Special Resolution in accordance with the preceding Paragraph.

#### TRANSFER AND TRANSMISSION OF SHARES

25. Subject to the Law and the Applicable Listing Rules and unless otherwise provided by these Articles, the Shares shall be freely transferable.
26. The Company shall not be obligated to recognize any transfer or assignment of Shares unless the name/title and residence/domicile of the transferor and transferee have been recorded in the Register. The registration of transfers may be suspended when the Register is closed in accordance with Article 28.

#### NON-RECOGNITION OF TRUSTS

27. Except as required by Law or the Applicable Listing Rules, no person shall be recognised by the Company as holding any Share upon any trust, and the Company shall not, unless required by Law or the Applicable Listing Rule, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or actual



interest in any Share (except only as otherwise provided by these Articles, the Law or the Applicable Listing Rule otherwise requires or under an order of a court of competent jurisdiction) or any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder.

#### CLOSING REGISTER OR FIXING RECORD DATE

28. (1) The Board may fix in advance the record date(s) for (a) determining the Members entitled to receive any dividend/bonus, distribution or issue; (b) determining the Members entitled to receive notices of, attend or vote at any general meeting or any adjournment thereof in person, by proxy, way of a written ballot or by way of electronic transmission; and (c) any other purposes as determined by the Board. In the event the Board designates the record date(s) for (b) in accordance with this Article, such record date(s) shall be date(s) prior to the general meeting.
- (2) During the Relevant Period, subject to the Law, for the purposes of (a) determining the Members entitled to receive any dividend/bonus, distribution or issue; and (b) determining the Members entitled to receive notices of, attend or vote at any general meeting or any adjournment thereof, the Board shall fix the period that the Register shall be closed for transfers at least for a period of sixty (60) days before the date of each annual general meeting, thirty (30) days before the date of each extraordinary general meeting and five (5) days before the target date for a dividend, bonus or other distribution. For the purpose of calculating the abovementioned period, the respective convening date of the general meeting or the relevant target date shall be included.

#### GENERAL MEETINGS

29. The Company shall in each year hold a general meeting as its annual general meeting within six months after close of each financial year or such other period as may be permitted by the Commission, the TPEX or the TWSE (where applicable). The annual general meeting shall be convened by the Board.
30. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board may, whenever they think fit, convene an extraordinary general meeting of the Company.
31. During the Relevant Period, all general meetings shall be held in the R.O.C. At any time other than during the Relevant Period, the Board may convene any general meeting at such place as

it deems fit.

32. Any one or more Member(s) holding at least three percent (3%) of the issued and outstanding Shares of the Company for a period of one year or a longer time may, by depositing the requisition notice specifying the proposals to be resolved and the reasons, request the Board to convene an extraordinary general meeting. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may convene a general meeting.
- 32.1. Shareholders continuously holding 50% or more of the total number of outstanding shares of the Company for a period of three months or a longer time may convene an extraordinary general meetings. The calculation of the holding period and holding number of shares shall be based on the holding at the time of the share transfer suspension period.
33. During the Relevant Period, the Company shall engage a Shareholder Service Agent within the R.O.C. to handle the administration of general meetings, including but not limited to, the voting matters.

#### NOTICE OF GENERAL MEETING

34. (1) During the Relevant Period, at least thirty (30) days' notice of an annual general meeting and fifteen (15) days' notice of an extraordinary general meeting shall be given to each Member, and the Company may make a public announcement of a notice of general meeting to Members holding less than 1,000 Shares instead of delivering the same to each Member. The period of notice shall be exclusive of the day on which it is served and of the day on which the general meeting is to be held. Such notice shall be in writing, shall specify the place, the day and the time of meeting and the agenda and the proposals to be resolved at the general meeting and shall be given in the manner hereinafter described or be given via electronic communications if previously consented by the Members and permitted by the Law and the Applicable Listing Rules.
- (2) At any time other than the Relevant Period, at least five (5) days' notice in writing shall be given of an annual general meeting or any other general meeting PROVIDED HOWEVER that notice may be waived by all the Member either at or before the meeting is held PROVIDED FURTHER that notice or waiver thereof may be given by email, telex or telefax. At any time other than the Relevant Period, a general meeting may be convened by such shorter notice with the consent of a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five percent (95%) in nominal value of the Shares giving that right.

35. (1) During the Relevant Period, the Company shall make public announcements with regard to notice of general meeting, proxy form, summary information and details about items to be proposed at the meeting for approval, discussion, election or dismissal of Directors at least thirty (30) days prior to any annual general meeting or at least fifteen (15) days prior to any extraordinary general meeting.
- (2) During the Relevant Period, if the Company allows the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission in accordance with Article 58, the Company shall also send to the Shareholders the information and documents as described in the preceding Paragraph, together with the voting right exercise forms.
36. The following matters shall not be considered, discussed or proposed for approval at a general meeting unless they are specified in the notice of general meeting with the description of their major contents; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice:
- (i) any election or removal of Director(s);
  - (ii) any alteration of the Memorandum and/or these Articles;
  - (iii) any dissolution, voluntary winding-up, Merger, Share Exchange, Consolidation or Spin-off of the Company;
  - (iv) entering into, amending, or terminating any contract for lease, management or regular joint operation of the Company's whole business;
  - (v) the transfer of the whole or any material part of the Company's business or assets;
  - (vi) the acquisition of the whole business or assets of a Person, which has a material effect on the operation of the Company;
  - (vii) carrying out a Private Placement of any equity-type securities issued by the Company;
  - (viii) granting a waiver to a Director's non-competition obligation or approving a Director to engage in activities in competition with the Company;

- (ix) distributing dividends, bonuses or other distributions payable on or in respect of the Share in whole or in part by way of issuance of new Shares; and
  - (x) capitalisation of the Company's Statutory Reserve, the Share Premium Account and/or the income from endowments received by the Company in the Capital Reserve, by issuing new Shares and/or cash to its existing Members.
  - (xi) reduction of capital; and
  - (xii) application for the approval of ceasing its status as a public company.
37. During the Relevant Period, the Company shall prepare a manual for each general meeting, and such manual and relevant materials shall be published on the website designated by the Commission, the TPEX or the TWSE (where applicable) twenty-one (21) days prior to the scheduled date of the relevant annual general meeting and fifteen (15) days prior to the scheduled date of the relevant extraordinary general meeting pursuant to the Applicable Listing Rules.
38. The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any Member entitled to receive notice shall not invalidate the proceedings of that general meeting.

#### PROCEEDINGS AT GENERAL MEETINGS

39. No business, other than the appointment of a chairman of the meeting, shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, at least two Members present in person or by proxy or (in the case of a Member being a corporation) by its duly authorised representative representing more than one-half of the total issued and outstanding Shares with voting rights shall be a quorum of Members for all purposes.
40. (1) During the Relevant Period, one or more Member(s) holding one percent (1%) or more of the total issued and outstanding Shares of the Company may submit to the Company in writing or by way of electronic transmission for resolution at an annual general meeting; Unless the proposal cannot be settled or resolved by a resolution to be adopted at a general meeting, the number of shares of the Company in the possession of the Shareholder making

the said proposal is less than one percent (1%) of the total number of outstanding shares at the share transfer suspension before the relevant annual general meeting of the Company, the said proposal is submitted on a day beyond the deadline fixed and announced by the Company for accepting shareholders' proposals and the said proposal containing more than three hundred (300) words or more than one matters in a single proposal, the Board of the Company shall include the proposal submitted by a shareholder in the list of proposals to be discussed at a general meeting. A shareholder proposal proposed for urging the Company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a general meeting by the Board.

(2) During the Relevant Period, prior to the commencement of the period in which the Register is closed for transfers before an annual general meeting, the Company shall make a public announcement of the place and the period for Members to submit proposals; provided that the period for submitting such proposals shall not be less than ten (10) days.

(3) The Member who has submitted a proposal shall attend, in person or by a proxy, such general meeting whereat his proposal is to be discussed and shall take part in the discussion of such proposal.

(4) The Company shall, prior to the despatch of a notice of the relevant annual general meeting, inform all the proposing Members of whether their proposals are accepted or not, and shall list in the notice of the relevant annual general meeting all the accepted proposals. The Board shall explain at the relevant annual general meeting the reasons for excluding any proposal submitted by Members.

41. The Chairman shall preside as chairman at every general meeting of the Company convened by the Board. For a general meeting convened by any Person other than the Board, such Person shall act as the chairman of that meeting; provided that if there are two or more Persons jointly convening such meeting, the chairman of the meeting shall be elected from those Persons.

42. If at any general meeting the Chairman is not present or is unwilling to act as chairman, he shall appoint one of the Directors to act on his behalf. In the absence of such appointment, the Directors present may choose one of them to be the chairman of that general meeting.

43. A general meeting may be adjourned by the Company by an Ordinary Resolution from place to place within five (5) days, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for more than five (5) days, notice of the time and location of

the adjourned meeting shall be given as in the case of an original meeting.

44. At any general meeting, a resolution put to the vote of the meeting shall be decided on a poll.
45. Unless otherwise expressly required by the Law, the Applicable Listing Rules or these Articles, any matter proposed for approval by the Members at a general meeting shall be passed by an Ordinary Resolution.
46. Subject to the Law and the Applicable Listing Rules, the Company may by a Special Resolution:
  - (i) enter into, amend, or terminate any contract for lease, management or regular joint operation of its whole business;
  - (ii) transfer the whole or any material part of its business or assets;
  - (iii) acquire the whole business or assets of a Person, which has a material effect on the operation of the Company;
  - (iv) distribute dividends, bonuses or other distributions in whole or in part by way of issuance of new Shares;
  - (v) effect any Spin-off of the Company;
  - (vi) authorise a plan of Merger or Consolidation involving the Company;
  - (vii) resolve that the Company be wound up voluntarily for reasons other than the reason provided in Article 48;
  - (viii) carry out a Private Placement;
  - (ix) grant a waiver to a Director's non-competition obligation, or approve a Director to engage in activities in competition with the Company;
  - (x) change its name;
  - (xi) change the currency denomination of its share capital;
  - (xii) increase the share capital by such sum, to be divided into new Shares of such Classes of such par value, as the resolution shall prescribe;

- (xiii) consolidate and divide all or any of its share capital into Shares of a larger par value than its existing Shares;
- (xiv) subdivide its existing Shares, or any of them, into Shares of a smaller par value than is fixed by the Memorandum;
- (xv) cancel any Shares that, at the date of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled;
- (xvi) subject to these Articles (including without limitation Articles 16 and 17), alter or amend the Memorandum or these Articles, in whole or in part;
- (xvii) reduce its share capital and any fund of the capital redemption reserve in any manner authorised by the Law and the Applicable Listing Rules; and
- (xviii) appoint an inspector to examine the affairs of the Company under the Law; and
- (xix) issue new Shares to Employees of the Company and/or its Subordinate Companies subject to any restrictions and conditions in accordance with Article 12.

47. If the Company proposes to undertake:

- (i) a merger or consolidation which will result in the Company being dissolved;
- (ii) a sale, transfer or assignment of all of the Company's assets and businesses to another entity;
- (iii) a Share Exchange; or
- (iv) a demerger (spin off),

which would result in the termination of the Company's listing on the TWSE, and where (in the case of (a) above) the surviving entity, (in the case of (b) above) the transferee, (in the case of (c) above) the entity whose shares has been allotted in exchange for the Company's shares and, (in the case of (d) above) the existing or newly incorporated spun-off company's shares are not listed on the TPEX or the TWSE, then in addition to any requirements to be satisfied under the Law, such action shall be first approved at a general meeting by a resolution passed by members holding two-thirds or more of the votes of the total number of issued shares of the Company.

48. Subject to the Law and the Applicable Listing Rules, the Company may by an Ordinary Resolution resolve that the Company be wound up voluntarily if the Company is unable to pay its debts as they fall due.

49. (1) Subject to the Law, in the event any of the resolutions with respect to the matter(s) as set out in Paragraphs (a), (b) or (c) of Article 46 is adopted at a general meeting, a Member

who has notified the Company in writing of his objection to such proposal prior to that meeting and subsequently raised his objection at the meeting may request the Company to purchase all of his Shares at the then prevailing fair price; provided, however, that no Member shall have the abovementioned appraisal right if the resolution to be adopted is in relation to the matter(s) set out in Paragraph (b) of Article 46 and at the same meeting the resolution for the winding up of the Company is also adopted.

- (2) In the event any part of the Company's business is involved in any Spin-Off, Consolidation, Acquisition or a Share Exchange, a Member, who has forfeited his right to vote on such matter and expressed his dissent therefor, in writing before the relevant vote, may request the Company to purchase all of his Shares at the then prevailing fair price in accordance with the Law.
- (3) Without prejudice to the Law, in the event the Company and a Member making a request pursuant to Paragraphs (1) or (2) of this Article fail to reach agreement on the purchase price within sixty (60) days following the date of the resolution, the Member may, within thirty (30) days after such sixty (60) days period, file a petition to the R.O.C. Courts if and to the extent permitted under the Law, for a ruling on the appraisal price.
- (4) The Shareholder filing a request pursuant to Paragraph (1) or (2) of this Article shall make it in writing within twenty (20) days since the resolution of the general meeting was made and specify the purchase price. If the Shareholder and the Company reach an agreement with respect to the purchase price, the Company shall pay the agreed price within ninety (90) days since the resolution of the general meeting was made. If no agreement is reached, the Company shall pay the fair price it recognizes to the dissenting Shareholder within ninety (90) days since the resolution of the general meeting was made. If the Company fails to pay the fair price, the Company shall be considered to be agreeable to the price requested by the dissenting Shareholder.
- (5) In the event the Company and a Shareholder making a request pursuant to Paragraphs (2) of this Article fail to reach any agreement with respect to the purchase price within sixty (60) days following the date of the resolution, to the extent permitted under the Law, the Company shall, within thirty (30) days after such sixty (60) days period, file a petition to the R.O.C. Taichung District Court against all the dissenting Shareholders as the opposing party for a ruling on the appraisal price.

50. In case the procedure for convening a general meeting in which a resolution is adopted or the method of adopting a resolution is in violation of the Law, the Applicable Listing Rules or these Articles, a Member may, if and to the extent permitted under the Law, within thirty (30)



days from the date of the resolution, submit a petition to the Taiwan Taipei District Court of the R.O.C., as applicable, for an appropriate remedy, including but not limited to, requesting the court to invalidate and cancel the resolution adopted therein.

51. Notwithstanding anything to the contrary provided for in these Articles, at any time other than during the Relevant Period, a resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being Juristic Persons by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.
52. The proceedings regarding general meetings and the voting in general meetings not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by the Company by an Ordinary Resolution from time to time; during the Relevant Period, such internal rules shall be in compliance with the Law and the Applicable Listing Rules.

#### VOTES OF MEMBERS

53. Subject to any rights and restrictions as to voting for the time being attached to any Share by or in accordance with these Articles, at any general meeting, every Member present in person (or in the case of a Member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his/her/its name in the Register.
54. In the case of joint Members, the joint Members shall select a representative among them to exercise their voting powers and the vote cast by such representative, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Members.
55. A Shareholder who holds Shares for the benefit of others need not use all his votes or cast all the votes he holds in the same way as he uses his votes in respect of Share he holds for himself. The qualifications, scope, methods of exercise, operating procedures and other requirements for separate votes shall be in compliance with the Applicable Listing Rules.
56. Any corporation which is a Member of the Company may, by resolution of its board or other governing body, authorise such natural person as it thinks fit to act as its representative at any general meeting or at any meeting of a Class of Members of the Company.
57. (1) Subject to the Law and the Applicable Listing Rules, Shares held by the following persons

shall not be counted in the total number of issued Shares of the Company which are entitled to vote for when calculating the quorum at a general meeting and Members belonging to the following persons shall abstain from voting in respect of all Shares held by them:

- (a) the Company itself (if such holding is permitted by the Law);
  - (b) any entity in which the Company is legally or beneficially interested in more than fifty percent (50%) of its issued and voting share capital or equity capital; or
  - (c) any entity in which the Company and (i) its holding company, and (ii) its Subordinate Company are legally or beneficially, directly or indirectly, interested in more than fifty percent (50%) of its issued and voting share capital or equity capital.
- (2) Any Member who bears a personal interest that may conflict with and impair the interest of the Company in respect of any matter proposed for consideration and approval at a general meeting shall abstain from voting in respect of all the Shares that such Member should otherwise be entitled to vote, on his behalf or as a proxy or corporate representative, with respect to the said matter. Any and all votes cast by such Member(s) shall not be counted in determining the number of votes for or against such matter.
- (3) Where any Director, who is also a Shareholder of the Company, creates or has created any charge, mortgage, encumbrance or lien in respect of Shares held by such Director (the "**Charged Shares**") exceeding fifty percent (50%) of total Shares held by such Director at the time of his/her latest appointment as Director, such Director shall refrain from exercising its voting rights on the Shares representing the difference between the Charged Shares and fifty percent (50%) of total Shares held by such Director at the time of his/her latest appointment as Director, and such Shares shall not carry the voting rights and shall not be counted toward the number of votes represented by the Shareholders present at a general meeting but shall be included in the quorum.
58. To the extent permitted by the Law, the Board may resolve that the voting power of a Member at a general meeting may be exercised by way of a written ballot or by way of electronic transmission. The method for exercising such voting power shall be described in the general meeting notice to be given to the Members if the voting power may be exercised by way of a written ballot or electronic transmission. Notwithstanding the foregoing, during the Relevant Period, subject to the Applicable Listing Rules, the Company shall adopt the electronic transmission as one of the methods for exercising the voting power of a Member. Any Member who intends to exercise his voting power by way of a written ballot or by way of electronic transmission shall serve the Company with his voting decision at least two (2) days prior to the

date of such general meeting. Where more than one voting decision are received from the same Member by the Company, the first voting decision shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous voting decision in the later-received voting decision. A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his Shares at the general meeting only in the manner directed by his written instrument or electronic document. The chairman of the general meeting as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in the written or electronic document, impromptu proposal and/or any amendment to resolution(s) proposed at the said general meeting. For the purpose of clarification, such Members voting in such manner shall be deemed to have waived their voting rights with respect to any extemporary matters or amendment to resolution(s) proposed at the general meeting.

59. In case a Member who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant general meeting in person, he shall, at least two (2) day prior to the date of the general meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such votes, such votes shall remain valid.

#### PROXY

60. (1) A Member may appoint a proxy to attend a general meeting on his behalf by executing a proxy form produced by the Company stating therein the scope of power authorized to the proxy. A proxy need not be a Member.
- (2) During the Relevant Period, subject to the Law and unless otherwise provided in these Articles, forms of instrument of proxy for use at a general meeting shall be produced by the Company specifying therein (a) the instructions for filling out the form, (b) the matters to be entrusted by the Member or to be voted upon pursuant to such proxy, and (c) the basic information of the Member as appointor, the proxy and the proxy solicitor (if any) and shall be sent out together with the notice of general meeting to all Members on the same day.
61. A Member may only appoint one proxy for each general meeting irrespective of how many Shares he holds and shall serve an executed proxy in compliance with the preceding Article to the Company or its Shareholder Service Agent as the case may be no later than five (5) days prior to the date of the general meeting. In case the Company receives two or more proxies from one Member, the one received first by the Company shall prevail unless an explicit

statement by the Member to revoke such proxy is made in the subsequent proxy, provided this subsequent proxy is received no later than five (5) days prior to the date of the general meeting.

62. In case a Member who has served a proxy intends to attend the relevant general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of the general meeting, revoke such proxy by serving a separate written notice to the Company or Shareholder Service Agent. Otherwise, the votes cast by the proxy at the general meeting shall prevail.
63. A Member who has served the Company with his voting decision in accordance with Article 58 for the purpose of exercising his voting power by way of a written ballot or by way of electronic transmission may appoint a person as his proxy to attend the meeting in accordance with these Articles, in which case the vote cast by such proxy shall be deemed to have revoked his previous voting decision served on the Company and the Company shall only count the vote(s) cast by such expressly appointed proxy at the meeting.
64. During the Relevant Period, except for trust enterprises or shareholder service agencies duly licensed under the R.O.C. competent authorities or the chairman of a general meeting who is deemed appointed as proxy pursuant to Article 58, where a Person acts as a proxy for two or more Members, the number of voting Shares that the proxy may vote in respect thereof shall not exceed three percent (3%) of the total number of issued and outstanding voting Shares; otherwise, such number of voting Shares in excess of the aforesaid threshold shall not be counted towards the number of votes cast for or against the relevant resolution or the number of voting Shares present at the relevant general meeting but shall be included in the quorum. Upon such exclusion, the number of voting Shares being excluded and attributed to each Member represented by the same proxy shall be determined on a pro-rata basis based on the total number of voting Shares being excluded and the number of voting Shares that such Members have appointed the proxy to vote for.
65. The use and solicitation of proxies not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by the Board from time to time, which shall be in compliance with the Law and the Applicable Listing Rules (in particular, the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of R.O.C. Public Companies (as amended, supplemented or otherwise modified from time to time)).

#### DIRECTORS AND THE BOARD

66. (1) The Board shall consist of not less than five (5) or more than nine (9) Directors (including

Independent Directors). Subject to the foregoing, the number of Directors to be elected and hold the office shall be stated in the notice of the general meeting in which an election of Directors will be held.

(2) A Director can be a natural person or a Juristic Person. Where a Director is a Juristic Person, it shall designate a natural person as its authorized representative to exercise, on its behalf, the powers of a Director and may replace such representative from time to time so as to fulfil its remaining term of the office. A Director shall not be required to hold any Shares in the Company.

(3) Directors shall be elected by Members at general meetings. Any Juristic Person which is a Member shall be entitled to appoint a natural person or natural persons as its representative(s) to be nominated for election as Director in accordance with these Articles.

(4) The principle of cumulative voting shall apply in any election of Directors pursuant to this Article. Each Member entitled to vote in such election shall have a number of votes equal to the product of (i) the number of votes conferred by such Member's Shares and (ii) the number of Directors to be elected at the general meeting. Each Member may divide and distribute such Member's votes, as so calculated, among any one or more candidates for the directorships to be filled, or such Member may cast such Member's votes for a single candidate. At such election, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected. Notwithstanding anything to the contrary in these Articles, at any time other than the Relevant Period, the Company may by Ordinary Resolution appoint any Person to be a Director or remove any Director from office.

(5) The proceedings and the voting regarding the election of Directors not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by an Ordinary Resolution from time to time, which shall be in compliance with the Law and the Applicable Listing Rules.

67. The Company may, whenever it thinks fit, adopt and apply a candidate nomination mechanism for election of any of the Directors in accordance with the Applicable Listing Rules.

Notwithstanding the foregoing, during the Relevant Period, a candidate nomination mechanism shall be adopted for election of all Directors. Upon adoption of candidate nomination mechanism, the Directors and Independent Directors shall be elected by the Members at a general meeting from among the nominees listed in the respective rosters of director candidates and independent director candidates. Subject to the Law and the Applicable Listing Rules, the Board may establish detailed rules and procedures for such candidate nomination.

68. Subject to these Articles, each Director shall be appointed to a term of office of three (3) years and is eligible for re-election. In case no election of new Directors is effected prior to the expiration of the term of office of existing Directors, the term of office of such existing Directors shall be extended until the time such Directors are re-elected or new Directors are duly elected and assume their office subject to these Articles. In the event of any vacancy in the Board, the new Director elected in the general meeting shall fill the vacancy for the residual term of office.
69. (1) Unless otherwise provided by these Articles, a Director may be removed from office at any time by a Special Resolution adopted at a general meeting.
- (2) Without prejudice to other provisions of these Articles, the Company put all Directors for re-election before the expiration of the term of office of such Directors, in this event, if it is not specified in such resolution that the existing Directors will not retire until the expiration date of their terms of office or other specified date, they shall be deemed to have retired on the date of such resolution, subject to the successful election of the new Directors at the same meeting.
70. A chairman of the Board (the “**Chairman**”) shall be elected from among the Directors and appointed in term by a majority of the Directors present at a Board meeting attended by at least two-thirds of all of the Directors then in office. The Chairman shall externally represent the Company and internally preside as the chairman at every Board meeting and at every general meeting convened by the Board. In the event the Chairman is not present at a meeting or cannot or will not exercise his power and authority for any cause, he shall designate one of the Directors to act on his behalf. In the absence of such designation, the Directors present at the meeting shall elect from among themselves an acting chairman.
71. The remuneration of a Director may differ from other Directors, and shall be determined by the Board, regardless of the Company profits or losses of respective years, based on (i) the extent of a Director's involvement with the operations of the Company, (ii) the contribution of a Director to the Company, (iii) the prevailing industry standard and (iv) such other relevant factors.
72. When the number of Directors then in office falls below five (5) due to any Director(s) vacating his office for any reason, the Company shall hold an election for such number of Directors at the next general meeting to fill the vacancy for the remainder of the term of such outgoing Director(s). When the number of Directors then in office falls short by one-third of the total number of Directors initially constituting the existing Board, the Company shall convene an

extraordinary general meeting within sixty (60) days of the occurrence of that fact for the purposes of electing such number of Directors to fill the casual vacancy.

73. Subject to these Articles, a Director other than an Independent Director may hold any other office (except that of Auditor) or place of profit under the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine, and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.
74. (1) Without prejudice to the duties owed by a Director to the Company under common law of the Cayman Islands and subject to the Law, the Directors shall assume fiduciary duties to the Company and without limitation, the due care of a good administrator, and exercise due care and skill in conducting the business operation of the Company. A Director may be liable to the Company if he acts contrary to his duties. In circumstances where a Director breaches any of such duties and acts for his/her or other Person's interest, the Company may, with the sanction of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover any and all earnings derived from such act as if such misconduct is done for the benefit of the Company.
- (2) If a Director violates any law in the course of conducting the business of the Company, he shall be jointly and severally liable with the Company for the damages resulting from such violation.
- (3) The preceding two Paragraphs of this Article shall apply, mutatis mutandis, to the officers of the Company who are authorised to act on its behalf in a senior management capacity.
75. Subject to these Articles, a Director other than an Independent Director may act by himself or his firm in a professional capacity for the Company (except that of Auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
76. To the extent permitted by the Law, the Company may pay, or agree to pay, a premium in respect of a contract insuring each of the following persons against risks determined by the directors, other than liability arising out of that person's negligence and/or dishonestly: an existing or former director (including alternate director), secretary or officer or Auditor of: the

Company; a company which is a subsidiary of the Company; and a company in which the Company has or had an interest (whether direct or indirect).

77. During the Relevant Period, the qualifications, election, removal, power, authority and other requirements for Directors (including Independent Directors), which are not covered by these Articles, shall be in compliance with the Applicable Listing Rules.

#### INDEPENDENT DIRECTORS

78. During the Relevant Period, the number of Independent Directors of the Company shall not be less than three (3) or one-fifth of the total number of Directors at any time, whichever is greater. One (1) of the Independent Directors shall have resident status of the R.O.C. (such resident status being registered with local government authorities). Subject to the foregoing, the number of Independent Directors to be elected and hold the office shall be stated in the notice of the general meeting in which an election of Independent Directors will be held. When an Independent Director ceases to act, resulting in a number of Independent Directors then in office lower than the prescribed minimum number, an election for an Independent Director shall be held at the next general meeting. When all Independent Directors cease to act, the Company shall convene an extraordinary general meeting to hold an election of Independent Directors within sixty (60) days from the date on which the situation arose.
79. Independent Directors shall possess professional knowledge and shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions held by the Independent Directors shall be as prescribed by the Applicable Listing Rules, and the assessment of independence of such Independent Directors shall be in compliance with the Applicable Listing Rules. The Board or other Persons calling a general meeting at which an election for Independent Directors is proposed shall ensure that the requirements of this Article have been satisfied and complied with in relation to any candidate for Independent Director.

#### POWERS AND DUTIES OF THE BOARD

80. Subject to the Law, these Articles, the Applicable Listing Rules and any resolutions passed in a general meeting, the business of the Company shall be managed by the Board in such manner as it shall think fit, which may pay all reasonable expenses in connection with business management, including but not limited to expenses incurred in forming and registering the Company and may exercise all powers of the Company. Except as otherwise provided by these



Articles, the compensation to be paid to the Directors shall be determined by the Board in accordance with the standard prevalent in the industry by reference to recommendation made by the remuneration committee (if established). Such compensation shall be deemed to accrue from day to day, and the Directors shall also be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from Board meetings of the Directors, or any committee established under Article 83, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Board from time to time, or a combination partly of one such method and partly the other.

81. The Board may from time to time appoint any Person to hold such office in the Company as the Board may think necessary for the management of the Company, including but not limited to officers and managers, and for such term and at such remuneration as the Board may think fit. Any Person so appointed by the Board may be removed by the Board.
82. The Board may appoint a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as the Board thinks fit. Any Secretary or assistant Secretary so appointed by the Board may be removed by the Board. The Secretary shall attend all general meetings and shall keep correct minutes of such meetings. Subject to the Applicable Listing Rules, the Secretary shall also perform such other duties as are prescribed by the Law or as may be prescribed by the Board.

## COMMITTEES

83. Subject to the Law and the Applicable Listing Rules, the Board may, or the Company may by an Ordinary Resolution, establish any committee(s) and delegate any of their powers, authorities and discretions to such committee(s) (including but not limited to an audit committee and a remuneration committee) consisting of such member or members of their body or any other Persons as the Board thinks fit. Any committee(s) so formed shall, in the exercise of the powers, authorities and discretions so delegated, and in conducting its proceedings, conform to any regulations that may be imposed on it by the Board pursuant to the Applicable Listing Rules. If no regulations are imposed by the Board, the proceedings of a committee with two (2) or more members shall be, as far as is practicable, governed by these Articles regulating the proceedings of the Board.
  - 83.1(1) During the Relevant Period, unless otherwise provided by the Law and the Applicable Listing Rules, the Company shall establish an audit committee; regulations governing the

professional qualifications for its members, the exercise of their powers of office, and related matters shall be prescribed and amended from time to time by the Board in accordance with the Applicable Listing Rules.

- (2) The audit committee of the Company shall be composed of all the Independent Directors. The audit committee shall not be fewer than three Persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. A resolution of the audit committee shall have the concurrence of one-half or more of the members of the audit committee.
- (3) The following matters shall be subject to the consent of one-half or more of all members of the audit committee of the Company and shall be thereafter submitted to the Board for a resolution:
  - (a) Adoption or amendment of an internal control system.
  - (b) Assessment of the effectiveness of the internal control system.
  - (c) Adoption or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
  - (d) A matter bearing on the personal interest of a Director.
  - (e) A material asset or derivatives transaction.
  - (f) A material monetary loan, endorsement, or provision of guarantee.
  - (g) The offering, issuance, or Private Placement of any equity-type securities.
  - (h) The hiring or dismissal of an Auditor, or the compensation given thereto.
  - (i) The appointment or discharge of a financial, accounting, or internal auditing officer.
  - (j) Annual and semi-annual financial reports.
  - (k) Any other material matter so required by the Company or the competent authority.
- (4) With the exception of Subparagraph (j) above, any matter under a subparagraph of the preceding Paragraph that has not been approved with the consent of one-half or more of all

members of the audit committee of the Company may be undertaken upon the approval of two-thirds or more of the Directors, without regard to the restrictions of the preceding Paragraph, and such resolution of the audit committee of the Company shall be recorded in the minutes of the Board meeting.

- 83.2(1) During the Relevant Period, unless otherwise provided by the Law and the Applicable Listing Rules, the Company shall establish a remuneration committee; regulations governing the professional qualifications for its members, the exercise of their powers of office, and related matters shall be prescribed and amended from time to time by the Board in accordance with the Applicable Listing Rules. Remuneration referred to in this Paragraph shall include salary, stock options, and any other substantive incentive measures for Directors and managerial officers under the Law or the Applicable Listing Rules.
- (2) The members of the remuneration committee of the Company shall be appointed by the Board and shall not be fewer than three members, one of whom shall be the convener.
- (3) The remuneration committee of the Company shall exercise the care of a good administrator and in good faith when performing the official powers listed below, and shall submit its recommendations for deliberation by the Board:
- (a) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for Directors and officers.
  - (b) Periodically evaluate and prescribe the remuneration of Directors and officers.
  - (c) Any other material matter so required by the Company or the competent authority.
- 83.3(1) Before any resolution of matters of a Merger and/or Acquisition Transaction by the Board of Directors, the audit committee of the Company shall review the fairness and reasonableness of the plan and the Merger and/or Acquisition Transaction, and then to report the review results to the Board of Directors and the general meeting. However, if the matters of a Merger and/or Acquisition Transaction is not required to be resolved by the general meeting under the Law, the audit committee of the Company does not need to report the review results with respect to the fairness and reasonableness of the plan and the Merger and/or Acquisition Transaction to the general meeting.
- (2) When the audit committee reviews matters pursuant to the preceding Paragraph, it shall seek opinions from an independent expert on the justification of the share exchange ratio or distribution of cash or other assets.

- (3) Review results of the audit committee and opinions of independent experts should be delivered to each Shareholder together with the notice of the general meeting. Should the Law does not require a resolution by the general meeting with respect to a Merger and/or Acquisition Transaction, the Company shall submit reports for matters of the Merger and/or Acquisition Transaction at the next closest general meeting.
- (4) Documents of the Merger and/or Acquisition Transaction to each Shareholder pursuant to the preceding Paragraph should be deemed as having been sent to the Shareholder if the Company announced the same content as in those documents on a website designated by the competent securities authority and those documents are presented in the company and at the venue of the general meeting by the Company.

#### DISQUALIFICATION AND VACATION OF OFFICE OF DIRECTORS

84. (1) During the Relevant Period, a person who is under any of the following circumstances shall not act as a Director of the Company; if he has already held office of a Director, he shall cease to act as a Director and be removed from the position of Director automatically:
- (a) commits a felony (including but not limiting to an offence under Statute for Prevention of Organizational Crimes of the R.O.C.) and has been convicted thereof, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
  - (b) has been convicted to imprisonment for a term of more than one year for commitment of fraud, breach of trust or misappropriation, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
  - (c) has been convicted of misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two (2) years;
  - (d) becomes bankrupt under the laws of any jurisdiction or adjudicated of the commencement of the winding up process by a court and has not been reinstated to his rights and privileges;

- (e) has allowed cheques and other negotiable instruments to be dishonoured and the records thereof have not been cancelled or expunged by the relevant regulatory authorities;
  - (f) dies or an order is made by any competent court or authority on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs or his legal capacity is restricted according to the applicable laws;
  - (g) ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under any provisions of the Law and/or Applicable Listing Rules;
  - (h) ceases to be a Director by virtue of Article 85;
  - (i) resigns his office by notice in writing to the Company;
  - (j) is removed from office pursuant to these Articles;
  - (k) has committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
  - (l) has been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet; or
  - (m) has been ordered to be removed from office by the R.O.C. Courts on the grounds that such Director, in the course of performing his duties, committed serious violations of the Law, Applicable Listing Rules or these Articles, or acts resulting in material damage to the Company, upon a petition by the Company or Member(s) to the R.O.C. Courts.
- (2) During the Relevant Period, in case a Director (other than Independent Director) has transferred some or all his Shares during the term of his office as a Director, such that the remaining Shares held by him are less than one half of the Shares being held by him at the time he was elected, he shall, ipso facto, cease to act as a Director and be removed from the position of Director automatically.
- (3) During the Relevant Period, if a Director (other than Independent Director), (a) after having been elected and before his inauguration of the office of a Director, has transferred

some or all his Shares held by him such that the remaining Shares are less than one half of the Shares held by such Director at the time of his election or, (b) within the closing period fixed by the Board in accordance with Article 28(2) prior to the general meeting for the election of such Director, has transferred some or all his Shares held by him such that the remaining Shares are less than one half of the Shares held at the commencement of the closing period, his election as a Director shall be deemed invalid and void.

85. Except as approved by the Commission, the TPEX or the TWSE (where applicable), the following relationships shall not exist among half or the majority of the Directors: (a) a spousal relationship; or (b) a familial relationship within the second degree of kinship as defined under the Civil Code of Taiwan. If any of the foregoing relationships exists among half or the majority of the elected Directors, the election with respect to the one who received the lowest number of votes among those related Directors shall be deemed invalid and void; and if he has already held office of a Director, he shall cease to act as a Director and be removed from the position of Director automatically. For the remaining Directors, if the foregoing requirements are still not satisfied, the same procedure set out above shall be applied again to the remaining related Directors, until such time as the foregoing requirements can be complied with.
86. In case a Director has, in the course of performing his/her/its duties, committed any act resulting in material damage to the Company or in serious violation of the Law, the Applicable Listing Rules or these Articles, but has not been removed from office by a resolution in a general meeting, one or more Members holding three percent (3%) or more of the total number of issued and outstanding Shares of the Company may, within thirty (30) days after that general meeting, submit a petition to a competent court, including the Taiwan Taipei District Court of the R.O.C., but only if and to the extent permitted under the Law and the Applicable Listing Rules, for removing such Director from office.
87. Subject to the Law, one or more Members holding one percent (1%) or more of the total number of the outstanding Shares continuously for a period of more than six months may request in writing any Independent Director of the Audit Committee to file, on behalf of the Company, an action against a Director who has, in the course of performing his/her duties, committed any act resulting in damage to the Company or in violation of the Law, the Applicable Listing Rules or these Articles, with a competent court, including the Taiwan Taipei District Court of the R.O.C. In case the Independent Director fails to file such action within thirty (30) days after receipt of such request, to the extent permitted under the laws of the Cayman Islands, the Members making such request may file the action for the Company. Subject to the condition that the Board does not or is unable to convene a general meeting, the Independent Directors of the audit committee may, for the benefit of the Company, call a

general meeting when it is deemed necessary.

## PROCEEDINGS OF THE BOARD

88. The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate and shall from time to time establish internal rules in this regard, which shall be in compliance with the Law and the Applicable Listing Rules. During the Relevant Period, the Board meetings shall be held at least once in each quarter or within such period and frequency as may be prescribed by the Applicable Listing Rules. The quorum necessary for the transaction of the business of the Board shall be a majority of the Directors. Subject to the Law, the Applicable Listing Rules and these Articles, any matter proposed for consideration and approval at a Board meeting shall be decided by a majority of votes entitled so to do.
89. A Director may, and the Secretary on the requisition of a Director shall, summon a Board meeting by, during the Relevant Period, at least seven (7) days' notice in writing, or at any time other than during the Relevant Period, at least forty eight hours' notice in writing, to every Director which notice shall set forth the general nature of the business to be considered PROVIDED HOWEVER, without prejudice to the prescribed notice, in the event of emergency, as determined by the Board in its sole discretion, a Board meeting may be called at any time if this has been agreed to by a majority of the Directors at such meeting. Notwithstanding the forgoing, at any time other than during the Relevant Period, a notice of Board meeting may be waived by all the Directors at, before or retrospectively after the relevant Board meeting is held. Any notice or waiver thereof may be given by email, telex or telefax.
90. A Director may participate in a meeting of Board, or of any committee appointed by the Board of which such Director is a member, by means of visual communication facilities which permit all Persons participating in the meeting to see and communicate with each other simultaneously and instantaneously, and such participation shall be deemed to constitute presence in person at the meeting.
91. A Director may appoint another Director as his proxy to attend a meeting of the Board in writing with regard to a particular meeting, and state therein the scope of authority with reference to the subjects to be discussed at such meeting, in which event the presence and vote of the proxy shall be deemed to be that of the Director appointer. No Director may act as proxy for two (2) or more other Directors. Subject to these Articles, if a Director attends a Board meeting on his behalf and as the proxy of another Director, he is entitled to vote both as a proxy

and for his own.

- 92.1. A Director who has a personal interest in the matter under discussion at a meeting of Board shall declare the nature of his interest and its essential contents at such relevant meeting. In a Merger and/or Acquisition Transaction, a Director who has a personal interest in the Merger and/or Acquisition Transaction shall explain to the Board meeting and the general meeting of the Company the essential contents of such personal interest and the cause of approval or dissent to the resolution of the Merger and/or Acquisition Transaction.
- 92.2. Where the spouse, a blood relative within the second degree of kinship of a Director, or any company which has a controlling or subordinate relation with a Director has interests in the matters under discussion in the meeting of the preceding paragraph, such a Director shall be deemed to have a personal interest in the matter.
- 92.3. Any Director who bears a personal interest that may impair the interest of the Company in respect of any matter proposed for consideration and approval at a meeting of Board shall abstain from voting, on his own behalf or as a proxy or corporate representative, with respect to the said matter. Any and all votes cast by such Director(s) shall not be counted in determining the number of votes for or against such matter.
93. Subject to these Articles, the continuing Directors may act notwithstanding any vacancy in their body.
94. Notwithstanding anything to the contrary provided for in these Articles, at any time other than during the Relevant Period, a resolution in writing signed by all of the Directors then in office or all of the members of a committee of Directors, including a resolution signed in counterpart or by way of signed email, telex or telefax transmission, shall be as valid and effectual as if it had been passed at a Board meeting or of a committee of Directors duly called and constituted.
95. The proceedings regarding Board meetings not provided for in these Articles shall be governed by the internal rules of the Company, as adopted and amended by the Board and reported to the Members at a general meeting from time to time, which shall be in compliance with the Law and the Applicable Listing Rules (in particular, the Regulations Governing Procedure for Board of Directors Meetings of Public Companies of the R.O.C.).

#### RESERVES AND CAPITALISATION

96. During the Relevant Period, the Company shall set aside out of the profits of the Company for each financial year: (a) a reserve for payment of tax for the relevant financial year; and (b) an



amount to offset losses incurred in previous year(s); and (c) a Statutory Reserve in accordance with the Applicable Listing Rules, and after the aforesaid sums as set aside from the profits for such relevant financial year, the Board may, before recommending any dividend or bonuses, set aside the remaining profits of the Company for the relevant financial year as a reserve or reserves (the "**Special Reserve**") which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied.

97. Unless otherwise provided in the Law, the Applicable Listing Rules and these Articles, neither the Statutory Reserve nor the Capital Reserve shall be used except for offsetting the losses of the Company. The Company shall not use the Capital Reserve to offset its capital losses unless the Statutory Reserve and Special Reserve set aside for purposes of loss offset is insufficient to offset such losses.
98. (1) During the Relevant Period, subject to the Law, where the Company incurs no loss, it may, by a Special Resolution, distribute its Statutory Reserve, the Share Premium Account and/or the income from endowments received by the Company, which are in the Capital Reserve which are available for distribution, in whole or in part, by issuing new, fully paid Shares and/or by cash to its Members.
- (2) At any time other than during the Relevant Period, subject to the Law, the Board may capitalise any sum for the time being standing to the credit of the Share Premium Account or any of the other Company's reserve accounts which are available for distribution or any sum standing to the credit of the profit and loss account or otherwise available for distribution and to appropriate such sums to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend//bonus and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.
99. Where any difficulty arises in regard to any declaration of share dividends or share bonuses or other similar distributions under these Articles due to any fraction held by Member(s), the Board may determine that cash payments should be made to any Members in full, or part thereof, as may seem expedient to the Board. Such decision of the Board shall be effective and binding upon the Members.

#### COMPENSATION, DIVIDENDS AND BONUSES

100. At any time other than during the Relevant Period, subject to the Law and these Articles and except as otherwise provided by the rights attaching to any Shares, the Board may from time to time declare dividends/bonuses (including interim dividends/bonuses), and other distributions to the Members by issuing new, fully paid Shares and/or by cash in proportion to the number of Shares held by them respectively and authorise payment of the same out of the funds of the Company lawfully available therefore. The Directors may, before declaring any dividends, bonuses or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business or investments of the Company.

101.(1) As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. The Company shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends/bonuses the Company wish to distribute.

(2) During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than two percent (2%) and not more than ten percent (10%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than five percent (5%) hereof to the Directors as the Directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employee and Directors' compensation shall be submitted to the general meeting of the Company. Except otherwise set forth by the Applicable Listing Rules, any Directors' compensation shall not be paid in the form of shares. The term "annual profits" as used herein shall mean the annual profits for such year before tax without deducting the amount of compensation distributed to the Employees and Directors as prescribed in this Paragraph (2) of this Article.

(3) During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if

any), setting aside the Statutory Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Statutory Reserve does not apply if the aggregate amount of the Statutory Reserve amounts to the Company's total issued capital), and setting aside the Special Reserve (if any), the Company may distribute not less than twenty percent (20%) of the remaining balance (including the amounts reversed from the Special Reserve) (the "Distributable Profit"), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the Members as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than twenty percent (20%) of the total amount of dividends/bonuses to Members.

- (4) During the Relevant Period, unless otherwise resolved by the general meeting of the Company, the Employees and Directors' compensations and dividends, bonuses or other forms of distributions payable to the Members shall be declared in NTD.
- (5) The Board may deduct from the dividends, bonuses or any other amount payable to the Member in respect of the Share any amount (if any) due by such Member to the Company on account of calls or otherwise in relation to the Share.
- (6) Any dividend, bonus or other monies payable on or in respect of the Share may be paid by wire transfer to the bank account nominated by the Member or by cheque or warrant sent through a post to the registered address of the Member, or to such Person and to such address as the holder may nominate in writing. In the case of joint Members, any of them may give a valid receipt for the dividend, bonus or other monies payable on or in respect of the Share.
- (7) Subject to the Law and the Applicable Listing Rules, any Special Reserve may be reversed to undistributed profits of the Company.

102. During the Relevant Period, subject to the Law, the Applicable Listing Rules and these Articles, the Company may by a Special Resolution distribute any part or all of the dividends or bonuses to the Members declared in accordance with the preceding Article by way of applying such sum in paying up in full unissued Shares for allocation and distribution to the Employees, the Directors and/or the Members.

103. No dividend, bonus or other distribution shall be paid otherwise than out of profits or out of monies otherwise available for dividend, bonus or other distribution in accordance with the Law. No dividend, bonus or other distribution or other money payable by the Company on or in respect of any Share shall bear interest against the Company.

## ACCOUNTS, AUDIT, AND ANNUAL RETURN AND DECLARATION

104. The Directors shall cause to be kept accounting records and books of account sufficient to give a true and fair view of the state of the Company's affairs and to show and explain the transactions of the Company and otherwise in accordance with the Law, at the Registered Office or at such other place(s) in such manner as may be determined from time to time by the Board and shall always be open to the inspection by the Directors.
105. During the Relevant Period, at the end of each financial year, the Board shall prepare: (a) the business report; (b) the financial statements which include all the documents and information as required by the Law and the Applicable Listing Rules (the "**Financial Statements**"); and (c) any proposal relating to the distribution of net profit and/or loss offsetting in accordance with these Articles, for adoption by the annual general meeting of the Company. Upon adoption at the annual general meeting of the Company, the Board shall distribute to each Member copies of the Financial Statements and the resolutions relating to profit distribution and/or loss offsetting. However, during the Relevant Period, the Company may make a public announcement of the abovementioned statements and resolutions instead of distributing those to each Member.
106. During the Relevant Period, the documents prepared by the Board in accordance with the preceding Article shall be made available at the Shareholder Service Agent's office in the R.O.C. for inspection during normal business hours by the Members, ten (10) days prior to the annual general meeting.
107. Subject to the Law and the Applicable Listing Rules, the Board may determine (or revoke, alter or amend any such determination) that the accounts of the Company be audited and the appointment of the Auditors.
108. The Board shall keep copies of the Memorandum, these Articles, the minutes of every general meeting, the Financial Statements, the Register and the counterfoil of corporate bonds issued by the Company at its Shareholder Service Agent's office in the R.O.C. Any Member may request at any time, by submitting evidentiary document(s) to show his interests involved and indicating the scope of requested matters, access to inspect and to make copies of the above documents.
109. The Board in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Law and deliver a copy thereof to the

Registrar of Companies in the Cayman Islands.

#### TENDER OFFER

110. Subject to the Law and the Applicable Listing Rules, during the Relevant Period, within fifteen (15) days after receipt of the copy of the public tender offer report form, the public tender offer prospectus, and relevant documents, the Company shall make a public announcement of the following:
- (a) the types, number and amount of shares held by the Directors and any Member holding more than ten percent (10%) of the total issued and outstanding Shares in its own name or in the name of other Person;
  - (b) the recommendations made by the Board to the Members on such tender offer, which shall set forth the identity and financial status of the tender offeror, fairness of the tender offer conditions, verification on rationality of source of fund for tender offer, and the names of the Directors who abstain or object to the tender offer and the reason(s) therefore;
  - (c) whether there is any material change in the financial condition of the Company after the delivery of its most recent financial report and the contents of such change, if any;
  - (d) the types, number and amount of the shares of the tender offeror or its affiliates held by the Directors and the Members holding more than ten percent (10%) of the total issued and outstanding Shares held in its own name or in the name of other Persons; and
  - (e) other relevant significant information.

#### WINDING UP

111. Subject to the Law, the Company may be wound up by a Special Resolution passed by the Members. If the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the number of the Shares held by them at the commencement of the winding up. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

112. Subject to the Law, if the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Law, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any asset whereon there is any liability.
113. The Company shall keep all statements, records of account and documents for a period of ten (10) years from the date of the completion of liquidation, and the custodian thereof shall be appointed by the liquidator or the Company by an Ordinary Resolution.

#### NOTICES

114. Subject to the Law and except as otherwise provided in these Articles, any notice or document may be served by the Company to any Member either personally, or by facsimile, or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to such Member at his address as appearing in the Register, or, to the extent permitted by the Law and the Applicable Listing Rules, by posting it on a website designated by the Commission, the TPEX or the TWSE (where applicable) and/or the Company's website, or by electronic means by transmitting it to any electronic mail number or address such Member may have positively confirmed in writing for the purpose of such service of notices. In the case of joint Members, all notices shall be given to that one of the Members whose name stands as their representative in the Register in respect of the joint holding.
115. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting including the purpose for which such meeting was convened.
116. Any notice or other document, if served by:
- (a) post, shall be deemed to have been served on the day following that on which the letter containing the same is posted or delivered to the courier;
  - (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the

facsimile number of the recipient;

- (c) courier service, shall be deemed to have been served forty-eight (48) hours after the time when the letter containing the same is delivered to the courier service; or
- (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail, subject to the Law.

117. Any notice or document served to the registered address of any Member in accordance with these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Member as sole or joint Member.

#### REGISTERED OFFICE OF THE COMPANY

118. The Registered Office of the Company shall be at such address in the Cayman Islands as the Board shall from time to time determine.

#### FINANCIAL YEAR

119. Unless the Board otherwise prescribes, the financial year of the Company shall end on December 31<sup>st</sup> in each year and shall begin on January 1<sup>st</sup> in each year.

#### SEAL

120. The Company shall adopt a Seal by resolution of the Board and, subject to the Law, the Company may also have a duplicate Seal or Seals for use in any place or places outside of the Cayman Islands. The use and management of the Seal (or duplicate Seals) may be determined by the Board from time to time pursuant to the adoption of any regulation governing the use and management of seals of the Company in accordance with the Applicable Listing Rules.

#### **LITIGATION AND NON-LITIGATION AGENT IN THE R.O.C.**

121.(1) Subject to the provisions of the Applicable Listing Rules, the Company shall, by a resolution of the Directors, appoint or remove a person as its litigation and non-litigation agent and such agent will be deemed as the responsible person of the Company in the R.O.C. under the Applicable Listing Rules.

- (2) The preceding agent shall have residence or domicile in the R.O.C.
- (3) The Company shall report the name, residence/domicile of the preceding agent and power of attorney to the competent authority in the R.O.C. This reporting requirement shall also apply if there is any change.

### **CHANGES TO CONSTITUTION**

122. Subject to the Law and the Applicable Listing Rules, the Company may, by Special Resolution, alter or amend the Memorandum or these Articles, in whole or in part.

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### Rules of Procedure for Shareholders' Meetings

Article 1. To establish a sound governance system and strengthen the supervisory and management functions for the Company's shareholders' meeting, these Rules are formulated in accordance with Article 5 of the Code of Practice of the Corporate Governance for TWSE/TPEX Listed Companies.

Article 2. The rules of procedure for the Company's shareholders' meetings, except as otherwise provided by law or the Articles of Association, shall be in accordance with the provisions of these Rules.

Article 3. Unless otherwise stated by regulations, the shareholders' meeting is convened by the Board.

The company shall, 30 days prior to the regular shareholders, meeting, or 15 days prior to an interim shareholders, meeting, make electronic files of the notice of meeting, the power of attorney, the cause of action and explanatory materials on various motions concerning admission, discussion, appointment or dismissal of Directors or Supervisors, and other relevant information and send it to the MOPS. In addition, an electronic file of the agenda handbook and supplementary information shall be sent to the MOPS 21 days prior to a regular shareholders, meeting or 15 days prior to an interim shareholders' meeting. 15 days before the shareholders, meeting, the shareholders' meeting agenda handbook and supplementary information shall be prepared for shareholders to obtain at any time and displayed in the Company and the Company's stock transfer agency, and they shall be distributed at the meeting. The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of addressees, the meeting notice may be given in electronic form.

Election or dismissal of directors and supervisors, alteration of the Articles of Association, capital reduction, application of suspension of public offering, permission for the directors to compete with the Company, capitalization of retained earnings, capitalization of capital reserves, Directors' permission to compete for business, capital increase by surplus, transfer of capital reserve, corporate dissolution, merger, spin-off or any matters as set out in Paragraph 1 of Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, shall be stated in the reasons for convening the meeting with their main contents specified, and shall not be raised as extempore motions. The main contents of these proposals may be uploaded to the website of competent authorities of securities or a website designated by the company, with its URL specified on the meeting notice.

When the reason for convening a shareholders' meeting has been specified as the election of all directors and the date of appointment of the new Board of Directors is also specified, shareholders attending the meeting shall not alter the appointment date

of newly elected members of the Board by proposing extempore motions or by any other means after the election process taking place at the said shareholders' meeting is completed.

Shareholders holding 1% or more of the total number of issued shares may submit a written proposal to the Company for a regular shareholders' meeting. However, the number of the proposal is limited to one, and the proposals in excess of one shall not be included in the agenda. Nevertheless, if the proposal from the shareholders is one to urge the company to promote public interest or fulfill its corporate social responsibilities, the Board of Directors may still include the said proposal. If the circumstances in Paragraph 4 of Article 172-1 of the Company Act are proposed by a shareholder, the Board of Directors may not list it as a proposal.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, methods of reception for written and electronically submitted proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

A proposal submitted by a shareholder shall be limited to 300 words and proposals exceeding 300 words shall not be included in the agenda. A shareholder who submitted a proposal shall attend the general shareholders' meeting in person or by proxy, and shall participate in the discussion of the proposal.

The Company shall notify the shareholders of the results before the date of the notice of the meeting, and shall include the resolutions stipulated in this Article in the notice of the meeting. For proposals by shareholders that are not included in the agenda, the board shall explain the reasons in the shareholders' meeting.

Unless otherwise provided by law, the shareholders' meeting of the Company shall be convened by the Board of Directors.

The company shall, 30 days prior to the regular shareholders' meeting, or 15 days prior to an interim shareholders' meeting, make electronic files of the notice of meeting, the power of attorney, the cause of action and explanatory materials on various motions concerning admission, discussion, appointment or dismissal of Directors or Supervisors, and other relevant information and send it to the MOPS. In addition, an electronic file of the agenda handbook and supplementary information shall be sent to the MOPS 21 days prior to a regular shareholders' meeting or 15 days prior to an interim shareholders' meeting. 15 days before the shareholders' meeting, the shareholders' meeting agenda handbook and supplementary information shall be prepared for shareholders to obtain at any time and displayed in the Company and the Company's stock transfer agency, and they shall be distributed at the meeting. The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of addressees, the meeting notice may be given in electronic form.

(The aforementioned provisions governing use of electronic files for transmission to the

MOPS, shall be used after the Company's shares are publicly offered.)

Election or dismissal of directors and supervisors, alteration of the Articles of Association, corporate dissolution, merger, spin-off or any matters as set out in Paragraph 1 of Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, shall be stated in the reasons for convening the meeting and shall not be raised as extempore motions. When the reason for convening a shareholders' meeting has been specified as the election of all directors and the date of appointment of the new Board of Directors is also specified, shareholders attending the meeting shall not alter the appointment date of newly elected members of the Board by proposing extempore motions or by any other means after the election process taking place at the said shareholders' meeting is completed.

Shareholders holding 1% or more of the total number of issued shares may submit a written proposal to the Company for a regular shareholders' meeting. However, the number of the proposal is limited to one, and the proposals in excess of one shall not be included in the agenda. If the circumstances in Paragraph 4 of Article 172-1 of the Company Act are proposed by a shareholder, the Board of Directors may not list it as a proposal.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. A proposal submitted by a shareholder shall be limited to 300 words and proposals exceeding 300 words shall not be included in the agenda. A shareholder who submitted a proposal shall attend the general shareholders' meeting in person or by proxy, and shall participate in the discussion of the proposal.

The Company shall notify the shareholders of the results before the date of the notice of the meeting, and shall include the resolutions stipulated in this Article in the notice of the meeting. For proposals by shareholders that are not included in the agenda, the board shall explain the reasons in the shareholders' meeting.

Article 4. For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing a power of attorney issued by the Company, stating the scope of the proxy's authorization.

A shareholder shall issue a power of attorney, limited to one person, which shall be delivered to the Company 5 days prior to the date of the shareholders' meeting. When a written proxy is delivered, whichever one is received first shall prevail. However, this restriction does not apply to the withdrawal of prior proxy declaration.

After the power of attorney is delivered to the Company, any shareholder wishing to attend a shareholders' meeting in person or exercise his/her voting rights in writing or electronically shall, 2 days prior to the shareholders' meeting, issue the Company a written notice regarding the withdrawal of the proxy. In case of late cancellation, the voting right exercised by the proxy shall be adopted.

Article 5. The place of a shareholders meeting shall be the Company location or a place where all shareholders may easily attend. The meeting shall be held at a venue after 9 a.m. or not later than 3 p.m. The meeting shall be held in a place agreed by all shareholders.

Article 6. The notice of meeting of the Company shall state the time and place of registration to shareholders, and other matters needing attention.

The registration time of shareholders mentioned in the preceding paragraph shall be at least 30 minutes before the meeting begins. There shall be clear signs at the registration area and adequate personnel shall be designated for handling the registration procedure.

When a shareholder or his/her/its proxy (hereinafter referred to as shareholder) attends a shareholders meeting, a certificate of attendance, sign-in card, or other form of identification shall be presented. For shareholders who are attending by proxy, identity documents shall be presented for verification.

The Company shall prepare an attendance book for sign-in, or the shareholders present submit the sign-in cards instead.

The Company shall furnish attending shareholders with the meeting agenda handbook, annual report, attendance card, speaker's slips, voting slips and other meeting materials; where there is an election of Directors or Supervisors, pre-printed ballots shall also be furnished.

When a government unit or a judicial person is a shareholder, a representative of a shareholder attending a meeting is not limited to one. When a juristic person is appointed to attend a shareholders' meeting, it may designate one person to attend the meeting.

Article 7. If a shareholder is convened by the Board of Directors, the chairman shall be the Chairman of the Board. If the Chairman asks for leave or cannot exercise his/her power for some reason, the Vice Chairman shall act as his/her proxy. If there is no Vice Chairman or the Vice Chairman asks for leave or cannot exercise his/her power for some reason, the Chairman shall appoint an Executive Director to act as his/her proxy. If there are no Executive Directors, the Chairman shall appoint a Director to act as his/her proxy. Where the Chairman does not appoint a proxy, the Executive Directors or Directors shall appoint one person as chairman among themselves.

The chairman referred to in the preceding paragraph shall be an Executive Director or a Director who has served for 6 months or more, and understands the Company's financial operations. The same rules will prevail to the chairman who is the proxy of the judicial person.

More than half of the Directors shall attend the Shareholders' meetings convened by the Board of Directors.

If a shareholders' meeting is convened by a convener other than the Board of Directors, the convener shall be the chairman. If there are two or more conveners, they shall elect one chairman from among themselves.

The Company may designate its attorneys, certified public accountants, or related persons to attend the shareholders' meeting.

Article 8. The company shall, upon receiving the shareholders' report, keep recording the entire shareholders' meeting, the proceedings and the counting of voting.

The aforementioned video information shall be kept for at least 1 year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recordings shall be kept until the conclusion of the litigation.

Article 9. Attendance at shareholders' meetings shall be calculated based on the number of shares. The number of attended shares shall be calculated according to the number of shares issued by the company and registration cards, plus the number of shares that may be exercised in writing or electronically.

When the noticed meeting onset time arises, the chairman shall call the meeting to order immediately. Provided, however, that if a majority of the total number of shares issued is not represented at the meeting, the chairman may postpone the meeting. The postponement is limited to 2 times and the total delayed time shall not be more than 1 hour. If the quorum is not met after two postponements, the chairman shall declare the meeting dismissed.

If the aforementioned two postponements still fail according to the preceding paragraph, if the number of shares that represent more than one-third of the total number of issued shares is still less than one-third of the total number of issued shares, a tentative resolution may be adopted and the meeting adjourned, and the shareholders will be notified of the tentative resolution to convene a new meeting for ratification thereon within one month.

If, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of shares, the chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors, and the relevant proposals (including extempore motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a convener other than the Board of Directors.

Before the end of the proceedings (including extemporaneous motions), the chairman shall not announce the adjournment of the meeting without a resolution. If the chairman violates the rules of procedure and announces an adjournment, the other members of the Board of Directors shall promptly assist the attending shareholders to elect another chairman and continue the meeting with the consent of the more than half of the voting rights of the shareholders present.

The chairman shall give sufficient explanation and opportunity for discussion to the proposals and the amendments or extemporaneous motions put forward by the shareholders. When the chairman is of the opinion that a proposal has been discussed

sufficiently to put to a vote, the chairman may announce the closure of the discussion and call for a vote. The chairman shall also allocate sufficient time for voting.

Article 11. Before speaking, an attending shareholder must fill in a speaker's slip specifying the subject of the speech, the shareholder account number (or attendance card number) and account name, and the sequence of the speech shall be determined by the meeting chairman. A shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Each shareholder shall not speak more than twice on the same proposal without the consent of the chairman, and shall not speak for more than 5 minutes at a time. The chairman shall stop the shareholder from speaking if the shareholder violates the regulations or exceeds the scope of the topic.

When a shareholder attends the meeting, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman. The chairman has the right to stop any violation.

When a judicial person shareholder appoints two or more representatives to attend the shareholders' meeting, only one of the representatives for the same proposal may speak. After the shareholders' speech, the chairman may respond in person or designate relevant personnel to respond.

Article 12. Voting at a shareholders' meeting shall be calculated based on the number of shares.

For resolutions of the shareholders, the number of shares of non-voting shareholders shall not be counted within the total number of shares issued.

When a shareholder's interest in the meeting may lead to damage to the interests of the Company, the shareholder shall not vote and shall not exercise his voting rights on behalf of other shareholders.

The number of shares with unexecuted voting rights under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

When a person accepts the entrustment of more than two shareholders at the same time, the voting rights of the person acting shall not exceed 3% of the total number of shares issued, except for trust undertakings or the stock agency approved by the regulator. If the voting rights exceed 3%, the voting rights representing the part in excess shall not be counted.

Article 13. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted or deemed non-voting shares under Paragraph 2, Article 179 of the Company Act.

When the Company convenes a shareholders' meeting, shareholders shall exercise their voting rights electronically, and such rights may be exercised in writing; when exercising voting rights in writing or electronically, the methods shall be stated in the shareholders' meeting notice. A shareholder exercising voting rights in writing or electronically shall be deemed to have attended the meeting in person. However, the

said shareholder is regarded to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extempore motions and amendments to original proposals.

For a shareholder intending to exercise voting rights in writing or electronically as stated in the preceding paragraph, its intention shall be delivered to the company 2 days before the shareholders' meeting. When a duplicate declaration is delivered, whichever one is received earlier shall prevail. However, those who express their intention before revoking the declaration shall not be subject to this restriction.

If a shareholder wishes to attend a shareholders' meeting in person after the exercise of his voting rights in writing or electronically, the shareholder shall, two days prior to the meeting of shareholders' meeting, cancel his intention to exercise the voting rights referred to in the preceding paragraph in the same manner as he exercised his voting rights; In case of late cancellation, the voting right shall be exercised in writing or electronically. Where a shareholder is entitled to exercise voting rights in writing or electronically and a proxy is appointed to attend a shareholder's meeting, the voting right exercised by the proxy shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Association, a proposal shall be adopted by a majority of the attending shareholders who attend a meeting. At the time of a vote, for each proposal, the chairman or a person designated by the chairman shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide which shall be put to a vote first. If one of the proposals has been passed, the other proposals shall be deemed rejected, and no further voting shall be required.

The chairman shall appoint the controller of the ballot and counting personnel for the votes. However, the controller of the ballot shall be one of the shareholders.

Vote counting or election of the meeting shall be conducted in open public at the venue of the shareholders' meeting. After counting, the results of voting shall be announced on the spot immediately after counting and recording.

Article 14. When selecting a Director or Supervisor in the shareholders' meeting, the election thereof shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced on the spot immediately, including the names of the elected Directors or Supervisors, and the numbers of votes thereof.

The ballots for the election referred to in the preceding paragraph shall be sealed with

the signatures of the controller of the ballot and kept properly and safely for at least one year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recordings shall be kept until the conclusion of the litigation.

Article 15. Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the termination of the meeting. The meeting minutes may be produced and distributed in an electronic format.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including voting rights calculated). When there are elections of directors and supervisors, the voting rights won by every candidate shall be disclosed. The meeting minutes shall be retained for the duration of the existence of the Company.

Article 16. The Company shall compile a statistical statement of the number of shares obtained by soliciting proxies and the number of shares on behalf of the proxies at the date of a shareholders' meeting, and shall disclose the details in the meeting. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (Taipei Exchange) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17. The staff conducting the Shareholders' meeting shall wear identification or armbands. The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor" thereon.

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairman may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chairman's directives, obstructing the proceedings and refusing directions to cease, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18. When the meeting is held, the Chairman may announce a break. When a force majeure event occurs, the chairman may decide to temporarily suspend the meeting and announce the time for the meeting to be resumed following adjournment, depending on the conditions. The board of shareholders may decide to find another venue to continue the meeting if the venue cannot be used at that time before the end of the agenda (including extemporaneous motions) scheduled by the shareholders' meeting.



The shareholders' meeting shall be postponed to no later than five days or continue in accordance with Article 182 of the Company Act.

Article 19. These Rules shall be implemented after approved by the shareholders' meeting. The same procedure applies for amendments.



## Shareholdings of All Directors

- I. The Company's paid-in capital is NT\$ 607,500,000 and the total number of issued shares is 60,750,000 shares.
- II. As of the date for closure of the registered shareholdings book (April 25, 2021), the shareholdings of All Directors are 22,363,900 shares.

Job title	Name	Elected	Shareholding recorded on the book closure date	
		Date	Number of Shares (Remarks 3)	Shareholding Ratio:
Chairman	Chang, Jui-Jung	2020.06.19	4,027,200	6.63%
Director	Hsieh, Shun-Ho	2020.06.19	4,061,800	6.69%
Director	Chen, Lai-Chun	2020.06.19	3,795,400	6.25%
Director	Tsai, Feng-Lung	2020.06.19	2,882,800	4.74%
Director	Chang, Jui-Ching	2020.06.19	4,350,200	7.16%
Director	Chang, Chi-Hao	2020.06.19	3,223,500	5.31%
Independent Director	Chen, Shuei-Jin	2020.06.19	0	0.00%
Independent Director	Huang, Chen-Yen	2020.06.19	0	0.00%
Independent Director	Wu, Chao-Fu	2020.06.19	23,000	0.03%
Shareholdings of All Directors			22,363,900	36.81%

### Note:

- The Company is not subject to Article 26 of the Securities and Exchange Act and Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.
- The Company has established an Audit Committee, so the shareholding of Supervisors is not applicable.
- The shareholdings of Directors include the total shares they currently held and those by nominee arrangement.