

Stock Code : 2726



## **Yummy Town (Cayman) Holdings Corporation**

### **2023 Annual General Shareholders' Meeting Meeting Handbook**

June 12, 2023

**DISCLAIMER:**

**THIS ENGLISH HANDBOOK FOR 2023 ANNUAL GENERAL MEETING OF  
MEMBERS IS TRANSLATED FROM THE CHINESE VERSION.**

**IT IS INTENDED FOR REFERENCE ONLY.**

# Table of Contents

I . Meeting Procedures.....	1
II. Meeting Agenda .....	2
1. Report Matters.....	3
2. Acknowledgement Matters .....	4
3. Proposals and Discussions .....	5
4. Election Matters .....	8
5. Questions and Motions.....	9
6. Adjournment .....	9
III. Appendixes.....	10
1. Annual Business Plan Implementation Results and Budget Execution Status .....	10
2. 2022 Audit Report by Audit Committee.....	12
3. Comparison Table of “Regulations Governing Procedure for Board of Directors Meetings” .....	13
4. Report on the improvement plan of loan balance exceeds the limit on behalf of Shanghai Xian Zong Lin Food & Beverage Management CO., LTD.....	15
5. Annual Report and Financial Statements Audited by the Independent Auditor.....	16
6. Business Plan .....	25
7. Comparison Table of “Amended Articles of Amendment of part of the Articles of Incorporation”.....	26
8. Purpose of private placement, Impact on management rights and Impact on shareholders’ equity.....	30
9. Comparison Table of “Procedures for Acquisition or Disposal of Assets”.....	31
10. Comparison Table of “Operational Procedures for Loaning Funds and Making Endorsements /Guarantees” .....	32
IV. Annex.....	33
1. Rules and Procedures for Shareholders’ Meeting.....	33
2. Regulations Governing Procedure for Board of Directors Meetings (Pre-amendment contents) .....	38
3. Articles of Incorporation and the Memorandum of Incorporation (Pre-amendment contents) .....	43
4. Procedures for Acquisition or Disposal of Assets (Pre-amendment contents).....	76
5. Procedures for Loaning Funds and Making Endorsements /Guarantees (Pre-amendment contents) .....	95
6. Procedures for Election of Directors and Supervisors .....	103
V. Holdings by Directors .....	106
VI. Miscellaneous .....	106

## **I . Meeting Procedures**

1. Opening announcement
2. Chairman's remarks
3. Report Matters
4. Acknowledgement Matters
5. Proposals and Discussions
6. Election Matters
7. Extempore Motion
8. Adjournment

## II. Meeting Agenda

Time: 9am, June 12, 2023

Venue: 2F, No. 327, Section 1, Tiding Boulevard, Neihu District, Taipei City  
Announcement of the total number of shares held by attending shareholders or by proxy Meeting commencement

Chairman's remarks

### 1. Report Matters :

- (1) 2022 Business Report.
- (2) Audit Committee's review of the 2022 annual final accounting ledgers and statements.
- (3) Report on 2022 employees' and directors' remuneration.
- (4) Report on No Cash Dividend Distribution for 2022 Years.
- (5) Report on the discussion of amendments to the Company's "Rules of Procedure for Board of Directors Meetings".
- (6) Report on the improvement plan of loan balance exceeds the limit on behalf of subsidiary.

### 2. Acknowledged Matters :

- (1) Acknowledgment of the 2022 business report and 2022 Consolidated financial statements.
- (2) Acknowledgment of the 2022 Loss Recovery.

### 3. Matters for Discussion :

- (1) Discussion of a capital reduction plan to offset company losses. (adopted by a special resolution)
- (2) Amendment of part of the Articles of Incorporation (adopted by a special resolution)
- (3) Proposal for a cash offering by private placement. (adopted by a special resolution)
- (4) Amendments to the Company's "Regulations Governing the Acquiring or disposing of assets"
- (5) Amendments to the Company's "Procedures for Loaning of Company Funds, Endorsements and Guarantees"

### 4. Election Matters : The by-election of one Independent Directors.

### 5. Questions and Motions

### 6. Adjournment

## 1. Report Matters

- (1). 2022 Business Report. Please refer to Appendix 1 (pages 10~pages 11).
- (2). Audit Committee's review of the 2022 annual final accounting ledgers and statements. Please refer to Appendix 2 (pages 12).
- (3). Report on 2022 employees' and directors' remuneration.  
The board decided on March 20, 2023 that the company will not distribute 2022 bonuses to employees or directors.
- (4). Report on No Cash Dividend Distribution for 2022 Years.
  1. According to Article 101 of Article of Incorporation, when the Company distributes earnings, it shall be based on the net income after tax of the fiscal year, however that the Company shall first offset its losses in previous years that have not been previously offset.
  2. The amount of net loss after tax was 279,866,169, and the amount of accumulated deficit was 279,866,169.
- (5). Report on the discussion of amendments to the Company's "Rules of Procedure for Board of Directors Meetings". Please refer to Appendix 3 (pages 13~pages 14).
- (6). Report on the improvement plan of loan balance exceeds the limit on behalf of subsidiary.
  1. The subsidiary, Shanghai Xian Zong Lin Food & Beverage Management CO., LTD., has exceed the limit of fund lending against other subsidiaries. The main cause of loan balance over the limit is owing to the decreased net worth of Shanghai Xian Zong Lin Food & Beverage Management CO., LTD. due to the influence of covid-19 in China, store operations have been severely affected.
  2. Please refer to Appendix 4 (pages 15).

## 2. Acknowledgement Matters

**Proposal 1** by the Board

**Subject:** Please kindly rectify the 2022 Business Report and Consolidated Financial Statements.

**Explanations:**

1. The 2022 Consolidated Financial Statements approved by the board, along with the audit report issued by CPA Ker-Chang Wu and Yi-Min Huang, Deloitte & Touche and the business report, all passed the review by Audit Committee.
2. Please refer to Appendix 5 (pages 16 ~ pages 24) for the abovementioned business report, audit report issued by CPAs and consolidated financial statements.
3. Please kindly rectify the abovementioned documents.

**Resolution:**

**Proposal 2** by the Board

**Subject:** Please kindly rectify the proposal for 2022 Loss Recovery.

**Explanations:**

1. Please kindly find the following table for 2022 Loss Recovery.
2. Please kindly rectify this matter.

**Resolution:**

Yummy Town (Cayman) Holdings Corporation  
**Table of 2022 Loss Recovery**

**Expressed in New Taiwan Dollars**

<b>Item</b>	<b>Amount</b>	<b>Remark</b>
<b>Accumulated deficit at the beginning of the period</b>	<b>\$ 0</b>	
Less: Net Loss after tax	(279,866,169)	
<b>Accumulated deficit</b>	<b>(279,866,169)</b>	
Add: Special reserve in covering accumulated deficits	82,229,939	
Add: Capital surplus in covering accumulated deficits	89,784,070	
Add: Reduce capital in covering accumulated deficits	107,852,160	
<b>Accumulated deficit at the end of the period</b>	<b>\$ 0</b>	

**Note 1: As of April 12, 2023, the total number of shares outstanding was 35,341,216 (excluding 444,000 treasury shares)**

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accountant Supervisor: Chih Chia-Lin

### 3. Proposals and Discussions

#### Proposal 1

by the Board

Subject: Discussion of a capital reduction plan to offset company losses. (adopted by a special resolution)

- Explanations:
1. Improve the company's financial structure, increase the net value per share and the needs of future business.
  2. Amount of capital reduction: NTD 107,852, 160, Cancelled shares: 10,785,216 shares, Capital reduction ratio: 30.1387478%
  3. For the reduced shares this time, the shareholders listed in the shareholder's book, which is on the base date of the capital reduction and exchange, shall cancel the shares according to its shareholding ratio. The Company will reduce 301.387478 shares per thousand shares. After the capital reduction, the paid-in capital is NTD 250,000,000 with 25,000,000 shares. Any uncombined fractional shares shall be purchased at par value by the specified persons arranged by the Chairman.
  4. This exchange of new shares as a result of a capital reduction adopts a non-physical issuance, and the rights and obligations of such new shares are the same as the original issued common shares. After this proposal is approved by the regular shareholders' meeting and upon the registration with the competent authority for the capital reduction, it is hereby proposed to authorize the board of Directors to set the record dates for the capital reduction and the exchange of new shares, and handle all matters related to the capital reduction.
  5. If this case needs to be adjusted due to the change of the company's share capital to the capital reduction ratio, or if it needs to be changed after being amended by the competent authority, it is proposed that the shareholders' meeting authorize the board of directors to handle it in accordance with relevant laws and regulations.
  6. In accordance with the letter Cheng Pao Fa Tzu No. 1120000867 from Securities and Futures Investors Protection Center on March 27, 2023, the company explained relevant matters in the Appendix 6 (pages 25)
  7. Please kindly discuss and cast your votes.

Resolution:

#### Proposal 2

by the Board

Subject: Amendment of part of the Articles of Incorporation (adopted by a special resolution)

- Explanations:
1. Please refer to Appendix 7 (pages 26~pages 29) for the comparison of the original version and the amended version for the Articles of Incorporation.
  2. Please kindly discuss and cast your votes.

Resolution:

**Proposal 3**

**Subject:** by the Board  
Proposal for a cash offering by private placement. (adopted by a special resolution)

- Explanations:**
1. To meet the Company's future funding needs in long-term marketing development and increase shareholders' equity, to improve the financial structure to strengthen the competitiveness of the Company. The number of common shares to be privately placed for cash capital increase ("Privately Placed Shares") shall be up to 5,000,000 shares (par value = NT\$10). It is proposed to the shareholders' meeting to authorize the Board of Directors to conduct cash capital increase by way of private placement of common shares for cash at appropriate times depending on the then financial market conditions and the Company's capital needs.
  2. In accordance with relevant laws and regulations and the following principles. Details are as follows:
    - (1) The basis and reasonableness of pricing for the private placement:
      - (A) (x) the simple arithmetical average closing price of the common shares on one, three or five trading days prior to the pricing date, after adjustment for bonus shares issued as stock dividends and cash dividends and the shares cancelled in connection with capital reduction.
      - (y) the simple arithmetical average closing price of the Company's common shares during the period of 30 consecutive trading days prior to the pricing date, after adjustment for bonus shares issued as stock dividends and cash dividends and the shares cancelled in connection with capital reduction. The price of the common shares to be privately placed should be no less than 80% of the above (x) or (y) price whichever is higher.
    - (B) It is proposed to the shareholders' meeting, to authorize the Board of Directors to determine the actual pricing date and actual price for the Privately Placed Shares in accordance with laws and regulations, and to determine the actual price which is no less than the price determined based on the above-mentioned pricing principle and within no less than the range resolved by the shareholders' meeting, depending on the then market conditions and the Company's circumstances.
  - (2) The private placement Method and objectives:
    - (A) The selection of placee shall be conducted in accordance with Article 43-6 of the Securities and Exchange Act of the former Securities and Futures Commission of the Ministry of Finance. The objective of selecting the placee is to invite strategic investors and/or financial investors.
    - (B) Applicants are insiders and related persons:
      - (x) Wu Po-Chao, the Chairman and General Manager of the Company.
    - (C) The specific person who has been invited:
      - (x) the invitation of such person would have positive effects on the long-term planning and development of the Company in terms of the expansion of its market.
      - (y) Necessity - The objective of selecting the placee is to invite strategic investors and/or financial investors. It is proposed to the shareholders' meeting to resolve to authorize the Board of Directors to select the placees. For selecting the placees to



meet the Company's operational needs by having placees to provide the Company with assistance in strengthening the Company's competitiveness and improving the operational efficiency and long-term development.

- (z) Anticipated benefits - The objective of selecting the placee is to invite strategic investors and/or financial investors. It is necessary to select private placement to meet the Company's operational needs by having placees to provide the Company with assistance in strengthening the Company's competitiveness and improving the operational efficiency and long term development
- (3) Necessity of conducting private placement, use of proceeds, and anticipated benefits:
- (A) Reasons for conducting non-public offering: To support the Company's future business development and the plan to invite strategic investors and/or financial investors, and in consideration of time efficiency, convenience, issue costs and stability of shareholding attributed to private placement, and that the privately placed securities are prohibited from free transfer under the Securities and Exchange Act, thus ensuring a long-term partnership between the Company and its strategic investors and/or financial investors, the Company proposes to conduct a private placement.
  - (B) Maximum amount of the private placement: The number of Privately Placed Shares shall be up to 5,000,000 shares. The shareholders' meeting may authorize the Board of Directors to issue the Privately Placed Shares one or several times within one year from the date on which the shareholders' meeting resolves to conduct this Private Placement.
  - (C) Use of proceeds and anticipated benefits: (x) Use of Proceeds - Augmenting working capital and It is anticipated to strengthen the Company's position in the industry, enhance long-term competitiveness of the Company, and/or improve the financial structure of the Company or reduce interest expense, which will have a positive impact on shareholders' interests. (y) Anticipated Benefits - Improving the financial structure, reducing interest expense, providing the funds needed for future development of the Company and enhancing market competitiveness of the Company.
3. After three years have elapsed following the delivery date of the Privately Placed Shares, the Board of Directors is authorized to apply for an approval letter issued by the Taipei Exchange ("TPEX"), which acknowledges that the common shares to be privately placed, and is 7 authorized to submit the application with the Financial Supervisory Commission for make-up public offering of such shares and the application with the TPEX for listing such shares on TPEX.
4. It is proposed to the shareholders' meeting to authorize the Board of Directors to handle in its sole discretion if the Privately Placed plan is required to be changed or amended in accordance with changes to the laws and regulations, the instruction by the competent authorities, changes in market conditions, operational assessment or business environment assessment

5. In order to complete subsequent procedures of this Private Placement, it is proposed to the shareholders meeting to authorize the Chairman of the Board of Directors and his designated persons by a special resolution to execute relevant agreements and documents and handle all the relevant matters in the subsequent procedures on behalf of and for the Company.
6. In accordance with the letter Cheng Pao Fa Tzu No. 1120001199 from Securities and Futures Investors Protection Center on April 20, 2023, the company explained relevant matters in the Appendix 8 (pages 30)
7. Please kindly discuss and cast your votes.

Resolution:

- Proposal 4** by the Board
- Subject: Amendments to the Company’s “Regulations Governing the Acquiring or disposing of assets”
- Explanations: 1. Please refer to Appendix 9 (pages 31) for the comparison of the original version and the amended version of the Procedures for Acquisition or Disposal of Assets.  
2. Please kindly discuss and cast your votes.

Resolution:

- Proposal 5** by the Board
- Subject: Amendments to the Company’s “Procedures for Loaning of Company Funds, Endorsements and Guarantees”
- Explanations: 1. Please refer to Appendix 10 (pages 32) for the comparison of the original version and the amended version of the Operational Procedures for Loaning Funds and Making Endorsements / Guarantees.  
2. Please kindly discuss and cast your votes.

Resolution:

#### 4. Election Matters

- Proposal 1** by the Board
- Subject: By election of one independent director of the company
- Explanations: 1. The Company nominate Mr. Chen, Cheng-Chong. Although he have positioned as independent directors for three terms, the company remains reliance on the expertise, professional skills, academic literacy, and integrity. Therefore, he remain to be the candidates to the independent director of the company in this election.

2. The list of candidates for Independent Directors is as follows:

No	Name	Num of share Held	Education	Experiences	Legal person represented	Whether an independent director serve for more than three consecutive terms.
1	Chen, Cheng-Chong	0	Master of Hospitality and Tourism Management, School of Hospitality and Tourism Management, National Kaohsiung University of Science and Technology Chef	Private Members Club, Lai Lai Sheraton Hotel, Taipei Chef, Executive Club, Grand Hi Lai Hotel, Kaohsiung Consultant, Toong Mao Resorts & Hotel	NA	Served as the first to third independent directors of the company

Election Result:

5. Questions and Motions

6. Adjournment

### III. Appendixes

#### Appendix 1

#### 1. Annual Business Plan Implementation Results and Budget Execution Status

Unit: Thousands of NT Dollars

ITEM	2022	2021	Difference
Consolidated Revenue	801,129	1,458,788	-657,659
Consolidated Net Profit (Loss) (Note)	-279,866	-94,106	-185,760
Earnings (Loss) per share (after Tax)	-7.92	-2.65	-5.27

Note: Refers to the consolidated net profit attributable to the owners of the Company.

The consolidated revenue declined by 45%, mainly due to the impact of the COVID-19 pandemic. Many of our stores worldwide were unable to operate normally. Additionally, the catering business in the mainland China market has continued to decline in the past year, making it difficult to open new stores and increasing the closure rate. This has led to a significant decline in our overall revenue and profitability. In accordance with current laws and regulations, the Company did not compile a public financial forecast budget for 2022. Summary of the 2023

#### 2. Summary of the 2023 Business Plan and Profitability Analysis

##### I. The transformation of mainland China's business to a brand licensing model

The mainland China business will undergo a transformation and will adopt a brand licensing model, with mainland China agents managing and expanding the Happy Lemon brand. This transformation will significantly reduce the Group's operating costs in the mainland area, maintain brand recognition, and simultaneously collect brand licensing fees, greatly benefiting our operations.

##### II. Focusing on the US market and exploring new overseas blue ocean markets

In the future, the Company will allocate more resources to the US market and other overseas market operations. In addition to the core tea beverage business, we will also increase investment or partnership in the food market. We plan to introduce well-known food brands to jointly develop in the US through the Yummy US operations platform, strengthening and expanding not only the Happy Lemon brand but also adding another new growth engine in the US market. Since last year, the US market revenue share has exceeded 35% of the Group's overall revenue share, making Happy Lemon one of the leading tea beverage brands in the US. At least 25% of our stores have an average monthly revenue of over \$70,000, ranking us among the top in the US tea beverage market in terms of brand recognition, store scale, and single-store performance.

##### III. Continuously building a global supply chain platform to stabilize the operational foundation

Due to the early deployment in the US and well-developed supply chain management, during the more than two years of the pandemic, the number of stores in the US has doubled.

The average same-store sales growth (SSSG) has maintained a remarkable double-digit growth rate. To accelerate the large-scale expansion in the US and overseas markets, we will invest more resources in developing more robust operating management systems, supply chain systems, digital information systems, and customer membership systems to quickly enhance the brand value and competitive advantage of Happy Lemon.

### **3. Research and Development Status and Important Production and Sales Policies**

Product development will focus on categories preferred by young consumers, with the main beverages being lemon series, rock salt series, milk tea series, fruit tea series, and the globally popular egg waffle with annual sales of over 10 million pieces. In addition to creating trending products, the Company will also extend the use of brand IP, making Happy Lemon a social currency for consumers. By integrating data-driven systems, membership systems, online platform systems, and marketing platforms, we aim to move towards an OMO new retail model, driving online and offline consumption and increasing customer repurchase rates to achieve overall performance improvement goals.

### **4. External Competition and Overall Business Environment**

Facing the highly competitive tea beverage market, the Company continues to implement a global franchise strategy of "Build high walls, accumulate food widely, and share together." We are confident that after the transformation of the mainland China business, the Company's development will become more agile, and operations are expected to rebound and restart from the bottom.

Brand strength equals competitiveness. The Happy Lemon brand has successfully expanded into more than 20 countries and over 200 cities. The Company will continue to expand the global operations territory, accelerate global store deployment, and maintain excellent store performance, creating a "growth cornerstone." Furthermore, we will continue to build a global supply chain platform to strengthen the "operational cornerstone" and develop a catering alliance platform for cooperation, investment, and acquisitions to assist overseas business development and expand the "alliance cornerstone." With the support of these three cornerstones, future operations are expected to return to the right track.

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accountant Supervisor: Chih Chia-Lin

## Appendix 2

### **2. 2022 Audit Report by Audit Committee**

#### Audit Committee's Report

The Board of Directors has prepared the Company's 2022 Business Report, consolidated Financial Statements and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit the consolidated Financial Statements and has issued an audit report relating to the consolidated Financial Statements. The Business Report, consolidated Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Yummy Town (Cayman) Holdings Corporation

Chairman of the Audit Committee: Tu, Chi-Yao

Appendix 3

### 3. Comparison Table of “Regulations Governing Procedure for Board of Directors Meetings”

Pre-amendment contents	Post-amendment contents	Explanation of amendment
<p>Article 3 The board of directors shall meet at least quarterly.</p> <p>A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.</p> <p>The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.</p> <p>All matters set forth under Article 18, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion <del>except in the case of an emergency or for other legitimate reason.</del></p>	<p>Article 3 The board of directors shall meet at least quarterly.</p> <p>A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.</p> <p>The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.</p> <p>All matters set forth under Article 18, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion.</p>	<p>The items in each subparagraph of Paragraph 1 of Article 18 shall be listed in the reason for the convening, and shall not be raised as an interim motion. In addition, if the company has urgent matters that should be brought to the board of directors for discussion, it may call a meeting at any time in accordance with the provisions of the second paragraph.</p>
<p>Article 18 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting:</p> <ol style="list-style-type: none"> <li>1. The Corporation's business plan.</li> <li>2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).</li> <li>3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.</li> <li>4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.</li> <li>5. The offering, issuance, or private placement of equity-type securities.</li> <li>6. The appointment or discharge of a financial, accounting, or internal audit</li> </ol>	<p>Article 18 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting:</p> <ol style="list-style-type: none"> <li>1. The Corporation's business plan.</li> <li>2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).</li> <li>3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.</li> <li>4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.</li> <li>5. The offering, issuance, or private placement of equity-type securities.</li> <li>6. <u>If the board of directors does not have managing directors, the election or</u></li> </ol>	<p>According to the company law, the election of the chairman of the board of directors is the authority of the board of directors, and the procedure for the dismissal of the chairman of the board of directors is not expressly stipulated in the company law. There is no express provision in the Company Law, unless otherwise stipulated in the Articles of Association, the original directors shall still be appointed It is more reasonable to make a resolution at the meeting.</p>

<p>officer.</p> <p>7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.</p> <p>The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year. (In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph.)</p> <p>(Omitted below)</p>	<p><u>discharge of the chairman of the board of directors.</u></p> <p><u>7.</u> The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p><u>8.</u> A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p><u>9.</u> Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.</p> <p>The term "related party" in subparagraph <u>8</u> of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year. (In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph.)</p> <p>(Omitted below)</p>	
<p>Article 22 These Regulations were enacted on July 11, 2012 1<sup>st</sup> amendment was made on March 31, 2013. 2<sup>nd</sup> amendment was made on November 9, 2017. 3<sup>rd</sup> amendment was made on August 12, 2019. 4<sup>th</sup> amendment was made on March 26, 2020. 5<sup>th</sup> amendment was made on August 12, 2020.</p>	<p>Article 22 These Regulations were enacted on July 11, 2012 1<sup>st</sup> amendment was made on March 31, 2013. 2<sup>nd</sup> amendment was made on November 9, 2017. 3<sup>rd</sup> amendment was made on August 12, 2019. 4<sup>th</sup> amendment was made on March 26, 2020. 5<sup>th</sup> amendment was made on August 12, 2020. <u>6<sup>th</sup> amendment was made on November 10, 2022.</u></p>	<p>Add revision date.</p>



Appendix 4

**4. Report on the improvement plan of loan balance exceeds the limit on behalf of Shanghai Xian Zong Lin Food & Beverage Management CO., LTD.**

The improvement report of loan balance exceeds the limit on behalf of Shanghai Xian Zong Lin Food & Beverage Management CO., LTD.								2023.05.10
1. Subject : The improvement plan of Shanghai Xian Zong Lin Food & Beverage Management CO., LTD., to conform the limit of the board of directors has authorized.								
2. content	available balance 2022.9.30 (RMB)	available balance 2023.5.10 (RMB)	Used amount on 2023.5.10 (RMB)	estimate reduce amount (RMB)	actual reduce amount (RMB)	plan	Expected Completion Date	Implementation progress
1.Jia Qun Food & Beverage Management (Beijing) Co., Ltd.	8,000,000	0	0	8,000,000	8,000,000	(note 1) increase capital	2023/3/31	done
2.Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd.	6,000,000	6,000,000	6,000,000	6,000,000	0	(note 2) end operations	2023/6/30	The liquidation work is in progress
3.Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd.	5,500,000	5,500,000	5,200,000	5,500,000	0	(note 2) end operations	2023/6/30	The liquidation work is in progress
4.Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd.	9,500,000	0	0	9,500,000	9,500,000	(note 1) increase capital	2023/3/31	done
5.Shanghai Tai Quan Trading Co., Ltd.	10,000,000	5,000,000	1,550,000	10,000,000	5,000,000	(note1) increase capital	2023/3/31	Complete capital increase in December, 2022 and reduce half amount
合計	39,000,000	16,500,000	12,750,000	39,000,000	22,500,000			
(note 1) The quota of Happy Lemon Food & Beverage Management (Shanghai) Co., Ltd. and Jia Qun Food & Beverage Management (Beijing) Co., Ltd. is zero with no use, the available balance of Shanghai Tai Quan Trading Co., Ltd is RMB 2,000 thousand and the used amount is 600 thousand.								
(note 2) The liquidation work of Zhan Cheng Food & Beverage Management (Guangzhou) Co., Ltd. and Happy Lemon Food & Beverage Management (Chengdu) Co., Ltd. are in progress.								

## **5. Annual Report and Financial Statements Audited by the Independent Auditor**

### **Independent Auditors' Report**

To Yummy Town (Cayman) Holdings Corporation:

#### **Audit Opinion**

We have audited the consolidated balance sheets of Yummy Town (Cayman) Holdings Corporation and its subsidiaries (hereinafter referred to as the "Yummy Town Group and its subsidiaries") as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements (including the Summary of Significant Accounting Policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of Yummy Town Group and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and 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 by the Financial Supervisory Commission (FSC).

#### **Basis for Audit Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibility under those standards is further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". We are independent of Yummy Town (Cayman) Holdings Corporation and its subsidiaries 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 are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

#### **Key Audit Matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of Yummy Town Group and its subsidiaries for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of Yummy Town Group and its subsidiaries for the year ended December 31, 2022 are stated as follows:

##### Recognition of sales of commodities

The operating revenue of Yummy Town Group and its subsidiaries in 2022 was \$801,129 thousand, of which the transaction type is selling raw materials to the franchisee for consideration, resulting in \$387,073 thousand of sales which represents 48% of total operating revenue. As the franchisees come from various regions and there are many

business locations, considering that the sales of commodities of Yummy Town Group and subsidiaries has a significant impact on the consolidated financial report, the accountant assesses that the risk of income recognition lies in whether the revenue of specific customers with a significant amount of sales actually occurs. It is considered a key audit matter in the audit of consolidated financial statements for the year ended December 31, 2022. For details, please refer to Notes IV (XV) and V.

The audit procedures conducted by the CPA for the recognition of the above revenue are as follows:

1. Understand the internal control system related to sales transactions, and evaluate and test the effectiveness of its design and implementation.
2. Conduct the confirmatory test of the sales transaction of the specific customer mentioned above. The procedures include confirming the delivery documents, the export declaration forms, the invoices and whether the payments are received on schedule according to the transaction conditions, and checking the POS information to confirm whether the franchisee has the turnover in the current month, in order to recognize the sales of Commodities.

### **Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements**

The responsibilities of management are to prepare the consolidated financial statements with a fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed by the FSC with effective dates, and to maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Yummy Town Group and subsidiaries in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Yummy Town Group and subsidiaries or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Yummy Town Group and subsidiaries (including the Audit Committee) are responsible for supervising the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. 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. Misstatement may arise from frauds or errors. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute counter-measures in response to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from the error.

2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yummy Town Group and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubts on Yummy Town Group and subsidiaries' ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yummy Town Group and subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes) and whether the consolidated financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Yummy Town Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters of Yummy Town Group and its subsidiaries' consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA	Wu-Ke-Chang	CPA	Huang-I-Min
Financial Supervisory Commission Approval Document No. Jin-Guan-Zheng-Shen-Zi No. 1000028068		Financial Supervisory Commission Approval Document No. Jin-Guan-Zheng-Shen-Zi No. 1030024438	

March 28, 2023

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NT Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 313,675	39	\$ 335,995	24
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	3,482	1	4,361	-
1136	Financial assets at amortized cost - current (Notes IV and VIII)	-	-	157,576	11
1170	Accounts receivable (Notes IV and IX)	25,580	3	20,905	2
1180	Accounts receivable - related parties (Notes IV, IX and XXIX)	10,473	1	9	-
1200	Other receivables	25,695	3	48,261	3
1220	Current income tax assets (Notes IV and XXIII)	730	-	8,618	1
130X	Inventories (Notes IV and X)	57,827	7	107,425	8
1479	Other current assets - others (Notes VI, XXIX and XXX)	53,120	7	48,399	4
11XX	<b>Total Current Assets</b>	<b>490,582</b>	<b>61</b>	<b>731,549</b>	<b>53</b>
	<b>NON-CURRENT ASSETS</b>				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes IV and XI)	5,647	1	8,047	1
1551	Investments accounted for using the equity method (Notes IV and XIII)	10,642	1	107,242	8
1600	Property, plant and equipment (Notes IV, XIV and XXX)	111,631	14	135,020	10
1755	Right-of-use assets (Notes IV and XV)	111,166	14	248,598	18
1780	Intangible assets (Notes IV and XVI)	31,614	4	30,796	2
1840	Deferred tax assets (Notes IV and XXIII)	6,512	1	45,488	3
1920	Refundable deposits	34,834	4	67,646	5
15XX	<b>Total Non-current Assets</b>	<b>312,046</b>	<b>39</b>	<b>642,837</b>	<b>47</b>
1XXX	<b>Total Assets</b>	<b>\$ 802,628</b>	<b>100</b>	<b>\$ 1,374,386</b>	<b>100</b>
	<b>Liabilities and Equity</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Note XVII)	\$ 75,136	9	\$ 170,059	12
2170	Accounts payable	57,198	7	64,572	5
2219	Other payables (Note XVIII and XXIX)	83,690	11	123,493	9
2230	Current income tax liabilities (Notes IV and XXIII)	10,601	1	5,818	-
2280	Lease liabilities - current (Notes IV and XV)	47,017	6	117,021	9
2320	Long-term borrowings due within one year (Note XVII)	-	-	51,762	4
2399	Other current liabilities	32,821	4	42,486	3
21XX	<b>Total Current Liabilities</b>	<b>306,463</b>	<b>38</b>	<b>575,211</b>	<b>42</b>
	<b>Non-current liabilities</b>				
2527	Contract liabilities - non-current (Notes IV and XXI)	76,989	10	15,858	1
2570	Deferred income tax liabilities (Notes IV and XXIII)	2,868	-	8,438	1
2580	Lease liabilities - non-current (Notes IV and XV)	68,823	8	138,538	10
2645	Guarantee deposits received	86,275	11	117,177	8
25XX	<b>Total Non-current Liabilities</b>	<b>234,955</b>	<b>29</b>	<b>280,011</b>	<b>20</b>
2XXX	<b>Total Liabilities</b>	<b>541,418</b>	<b>67</b>	<b>855,222</b>	<b>62</b>
	<b>Equity Attributable to owners of the Company (Note XX)</b>				
	<b>Share capital</b>				
3110	Common stocks	357,852	45	357,852	26
3200	Capital surplus	187,517	23	215,838	16
	<b>Retained earnings</b>				
3310	Legal reserve	-	-	68,193	5
3320	Special reserve	82,230	11	82,230	6
3350	Accumulated deficit	(279,866)	(35)	(95,065)	(7)
3300	<b>Total Retained Earnings</b>	<b>(197,636)</b>	<b>(24)</b>	<b>55,358</b>	<b>4</b>
	<b>Other equity</b>				
3410	Exchange differences in translation of foreign operations	(67,822)	(8)	(99,856)	(8)
3420	Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income	(5,941)	(1)	424	-
3400	<b>Total Other Equity</b>	<b>(73,763)</b>	<b>(9)</b>	<b>100,280</b>	<b>(8)</b>
3500	Treasury stock	(29,605)	(4)	(29,605)	(2)
31XX	<b>Total Equity Attributable to Shareholders of the Parent</b>	<b>244,365</b>	<b>31</b>	<b>499,163</b>	<b>36</b>
36XX	Non-controlling interests (Note XX)	16,845	2	20,001	2
3XXX	<b>Total Equity</b>	<b>261,210</b>	<b>33</b>	<b>519,164</b>	<b>38</b>
	<b>Total Liabilities and Equity</b>	<b>\$ 802,628</b>	<b>100</b>	<b>\$ 1,374,386</b>	<b>100</b>

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

Chairman: Wu Po-Chao

President: Wu Po-Cha

Accounting Supervisor: Chih Chia-Ling

Yummy Town (Cayman) Holdings Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes IV, V, XXI and XXIX)	\$ 801,129	100	\$ 1,458,788	100
5000	Operating costs (Notes X, XXII, and XXIX)	<u>476,338</u>	<u>59</u>	<u>777,185</u>	<u>53</u>
5900	Gross Profit	<u>324,791</u>	<u>41</u>	<u>681,603</u>	<u>47</u>
	Operating expenses (Note XXII and XXIX)				
6100	Sales and marketing expenses	304,256	38	501,235	35
6200	General and administrative expenses	222,014	28	276,016	19
6300	Research and development expenses	14,174	2	17,710	1
6450	Expected credit impaired loss (Note IX)	<u>1,951</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>542,395</u>	<u>68</u>	<u>794,961</u>	<u>55</u>
6900	Net operating loss	( <u>217,604</u> )	( <u>27</u> )	( <u>113,358</u> )	( <u>8</u> )
	Non-operating income and expenses (Note XXII)				
7100	Interest income	1,967	-	7,957	-
7010	Other income	18,176	2	15,739	1
7020	Other gains and losses	( 17,223 )	( 2 )	( 1,102 )	-
7050	Finance costs	( 9,948 )	( 1 )	( 15,640 )	( 1 )
7770	Share of profit of associates accounted for using the equity method (Notes IV and XIII)	( <u>689</u> )	<u>-</u>	<u>11,409</u>	<u>1</u>
7000	Total non-operating income and expenses	( <u>7,717</u> )	( <u>1</u> )	<u>18,363</u>	<u>1</u>

(Continued)

(Continued from previous page)

Code		2022		2021	
		Amount	%	Amount	%
7900	Net loss before tax	(\$ 225,321)	( 28)	(\$ 94,995)	( 7)
7950	Income tax expenses (Notes IV and XXIII)	( 59,190)	( 7)	( 1,765)	-
8200	Net loss for the period	( 284,511)	( 35)	( 96,760)	( 7)
	Other comprehensive income (loss)				
8310	Items that may be reclassified to profit or loss				
8316	Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income	( 5,517)	( 1)	( 424)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences in translation of foreign operations	33,308	4	( 15,572)	( 1)
8370	Share of other comprehensive income of associates accounted for using the equity method	( 546)	-	( 2,742)	-
8300	Total other comprehensive income	27,245	3	( 18,738)	( 1)
8500	Total comprehensive income for the period	(\$ 257,266)	( 32)	(\$ 115,498)	( 8)
	Net loss attributable to				
8610	owners of the parent	(\$ 279,866)	( 35)	(\$ 94,106)	( 7)
8620	Non-controlling interests	( 4,645)	( 1)	( 2,654)	-
8600		(\$ 284,511)	( 36)	(\$ 96,760)	( 7)
	Total comprehensive loss attributable to				
8710	owners of the parent	(\$ 253,349)	( 32)	(\$ 112,156)	( 8)
8720	Non-controlling interests	( 3,917)	-	( 3,342)	-
8700		(\$ 257,266)	( 32)	(\$ 115,498)	( 8)
	Deficit per share (Note XXIV)				
9710	Basic	(\$ 7.92)		(\$ 2.65)	
9810	Diluted	(\$ 7.92)		(\$ 2.65)	

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

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accounting Supervisor: Chih Chia-Ling

Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NT Dollars

Equity Attributable to owners of the Company

Code		Share capital		Retained earnings			Other equity			Total	Non-controlling interests	Total Equity	
		Share Capital - Common Stock	Capital surplus	Legal reserve	Special reserve	(Accumulated deficit) Unappropriated earnings	Exchange differences in translation of foreign operations	Unrealized revaluation gains and losses on financial assets at fair value through other comprehensive income	Unearned employee benefits				Treasury stock
A1	Balance as of January 1, 2021	\$ 365,544	\$ 235,182	\$ 64,306	\$ 75,253	\$ 61,191	( \$ 82,230 )	\$ -	( \$ 699 )	( \$ 64,037 )	\$ 654,510	\$ 33,984	\$ 688,494
B1	Appropriation of earnings for 2020 (Note XX)	-	-	-	-	-	-	-	-	-	-	-	-
B3	Recognition of legal reserve	-	-	3,887	-	( 3,887 )	-	-	-	-	-	-	-
B5	Recognition of special reserve	-	-	-	6,977	( 6,977 )	-	-	-	-	-	-	-
B5	Distribution of cash dividends	-	-	-	-	( 17,839 )	-	-	-	-	( 17,839 )	-	( 17,839 )
D1	Net loss for the year ended December 31, 2021	-	-	-	-	( 94,106 )	-	-	-	-	( 94,106 )	( 2,654 )	( 96,760 )
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	( 17,626 )	( 424 )	-	-	( 18,050 )	( 688 )	( 18,738 )
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	( 94,106 )	( 17,626 )	( 424 )	-	-	( 112,156 )	( 3,342 )	( 115,498 )
L1	Treasury shares buyback (Note XX)	-	-	-	-	-	-	-	-	( 13,577 )	( 13,577 )	-	( 13,577 )
L1	Treasury shares cancellation (Note XX)	( 7,200 )	( 7,362 )	-	-	( 33,447 )	-	-	-	48,009	-	-	-
M7	Changes in percentage of ownership interests in subsidiaries	-	1,521	-	-	-	-	-	-	-	1,521	( 1,521 )	-
N1	Cancellation of employee restricted stocks (Notes XXV)	( 492 )	492	-	-	-	-	-	-	-	-	-	-
N1	Compensation cost of employee restricted stocks (Note XX and XXV)	-	( 14,012 )	-	-	-	-	-	699	-	( 13,313 )	-	( 13,313 )
O1	Net changes in non-controlling interests (Note XX)	-	-	-	-	-	-	-	-	-	-	( 9,120 )	( 9,120 )
T1	Gain on exercise of vesting rights	-	17	-	-	-	-	-	-	-	17	-	17
Z1	Balance as of December 31, 2021	357,852	215,838	68,193	82,230	( 95,065 )	( 99,856 )	( 424 )	-	( 29,605 )	499,163	20,001	519,164
D1	Net loss for the year ended December 31, 2022	-	-	-	-	( 279,866 )	-	-	-	-	( 279,866 )	( 4,645 )	( 284,511 )
D3	Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	32,034	( 5,517 )	-	-	26,517	728	27,245
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	( 279,866 )	32,034	( 5,517 )	-	-	( 253,349 )	( 3,917 )	( 257,266 )
F1	Surplus reserves for making up losses	-	( 26,872 )	( 68,193 )	-	95,065	-	-	-	-	-	-	-
M7	Changes in percentage of ownership interests in subsidiaries	-	( 1,521 )	-	-	-	-	-	-	-	( 1,521 )	1,521	-
O1	Net changes in non-controlling interests (Note XX)	-	-	-	-	-	-	-	-	-	-	( 760 )	( 760 )
T1	Gain on exercise of vesting rights	-	72	-	-	-	-	-	-	-	72	-	72
Z1	Balance as of December 31, 2022	\$ 357,852	\$ 187,517	\$ -	\$ 82,230	( \$ 279,866 )	( \$ 67,822 )	( \$ 5,941 )	\$ -	( \$ 29,605 )	\$ 244,365	\$ 16,845	\$ 261,210

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

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accounting Supervisor: Chih Chia-Ling



Yummy Town (Cayman) Holdings Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NT Dollars

Code		2022	2021
	Cash flows from operating activities		
A10000	Net loss before income tax for the period	( \$ 225,321 )	( \$ 94,995 )
A20010	Income and expense items		
A20100	Depreciation expense	127,242	218,953
A20200	Amortization	2,632	3,569
A20300	Expected credit impaired loss	1,951	-
A20400	Net loss (gain) on financial assets at fair value through profit or loss	946	( 2,006 )
A20900	Interest expense	9,948	15,640
A21200	Interest income	( 1,967 )	( 7,957 )
A21900	Employee compensation cost	-	( 13,313 )
A22300	Share of loss (gain) of associates accounted for using equity method	689	( 11,409 )
A22500	Loss on disposal of property, plant and equipment	12,259	7,913
A23200	Gain on disposal of investments	( 53,660 )	( 422 )
A23700	Write-downs of inventories	5,565	547
A23800	Impairment loss of assets	38,806	-
A29900	Gains on lease modification	( 14,565 )	( 5,368 )
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets are mandatorily measured at fair value through profit or loss	( 67 )	124,854
A31150	Accounts receivables	( 7,069 )	14,974
A31160	Accounts receivables - related parties	( 10,802 )	48
A31180	Other receivables	17,067	( 12,581 )
A31200	Inventory	42,409	( 22,792 )
A31240	Other current assets	( 5,467 )	12,463
A32125	Contract liabilities	61,593	( 10,522 )
A32150	Accounts payable	( 5,919 )	( 29,396 )
A32160	Accounts payable - related parties	-	( 226 )
A32180	Other payables	( 33,573 )	10,345
A32230	Other current liabilities	( 9,531 )	( 7,409 )
A33000	Cash flow (out) in generated from operations	( 46,834 )	190,910

(Continued)

(Continued from previous page)

Code		2022	2021
A33100	Interest received	\$ 5,911	\$ 5,678
A33300	Interest paid	( 12,286)	( 15,640)
A33500	Income tax paid	( 13,113)	( 26,075)
AAAA	Net cash (out) in generated by operating activities	<u>( 66,322)</u>	<u>154,873</u>
	Cash flows from investing activities		
B00010	Acquisition on financial assets at fair value through other comprehensive income	( 2,761)	( 8,041)
B00040	Net decrease in financial assets at amortized cost	157,576	168,795
B01900	Proceeds from disposal of investments accounted for using equity method	149,550	7,522
B02300	Net cash outflow from the disposal of subsidiaries (Note XXVI)	( 2,933)	-
B02700	Acquisition of property, plant and equipment	( 18,418)	( 39,568)
B02800	Proceeds from disposal of property, plant and equipment	110	1,366
B03800	Decrease in refundable deposits	17,316	4,063
B04500	Acquisition of intangible assets	( 395)	( 2,283)
B06600	Other (increase) decrease in other current assets	( 455)	11,704
B07600	Dividend received	<u>-</u>	<u>16,003</u>
BBBB	Net cash flows generated by (used in) investing activities	<u>299,590</u>	<u>159,561</u>
	Cash flows from financing activities		
C00100	Decrease in short-term loans	( 94,923)	( 112,388)
C01700	Repayment of long-term borrowings	( 51,762)	-
C03100	Decrease in guarantee deposits received	( 30,902)	( 26,320)
C04020	Principal repayment of lease liabilities	( 100,498)	( 186,184)
C04500	Distribution of cash dividends	-	( 17,839)
C04900	Costs for treasury stock buyback	-	( 13,577)
C05800	Net changes in non-controlling interests	( 760)	( 9,120)
C09900	Exercise of vesting rights	<u>72</u>	<u>17</u>
CCCC	Net cash used in financing activities	<u>( 278,773)</u>	<u>( 365,411)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>23,185</u>	<u>( 13,386)</u>
EEEE	Net decrease in cash and cash equivalents	( 22,320)	( 64,363)
E00100	Cash and cash equivalents at beginning of year	<u>335,995</u>	<u>400,358</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 313,675</u>	<u>\$ 335,995</u>

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

Chairman: Wu Po-Chao

President: Wu Po-Chao

Accounting Supervisor: Chih Chia-Ling

## 6. Business Plan

### Business Plan

#### 1. Future Operation and Development Planning

- (1) In recent years, many listed catering companies in Taiwan have withdrawn from China catering market. It is nothing more than a completely different business environment. Market of China is focuses on marketing, focusing, number of stores, capital operations, and revenue scale, regardless of profits and so on, so the highly competitive environment in China, let us choose to exit and start with transformation.
- (2) After adjustments in 2022, the company's business revenue in China has dropped to 45%. After the transformation, the operating costs will be greatly reduced. In addition to maintaining brand awareness, brand authorization fees can also be collected at the same time. For operations Physical improvement is of great help.
- (3) Recently, the company has gradually concentrated its resources on the operation and development of the U.S. market and other overseas markets. The U.S. has established a firm foothold as the main development of new markets. Currently, Happy Lemon has 100 stores in the U.S. and 30 stores are ready to open. It is estimated that the goal of expanding 200 stores in 2024 should be achieved.

#### 2. Implementation of control measures:

The situation and implementation results of the sound business plan will be explained in the report of the Annual Shareholders' Meeting in 2024.

## 7. Comparison Table of “Amended Articles of Amendment of part of the Articles of Incorporation”

Pre-amendment contents	Post-amendment contents	Explanation of amendment
<p>27. The general meetings shall be held at such time and place <del>as the Board shall determine</del> provided that unless otherwise <del>provided by</del> the Statute and unless otherwise determined by the Board, all general meetings shall be <del>held</del> in Taiwan. So long as the Shares are listed on any ROC Securities Exchange, if the Board resolves to hold a general meeting outside Taiwan, the Company shall apply for the approval of the applicable ROC Securities Exchange within two (2) days after the Board passes such resolution. Where a general meeting is to be held outside Taiwan, so long as the Shares are listed on any ROC Securities Exchange, the Company shall engage a professional securities agent licensed in Taiwan to be present at the such general meeting and to handle the administration of such general meeting, including without limitation, the handling of the voting of proxies submitted by Members.</p>	<p>27. (a) The general meetings shall be held at such time and place <u>determined by the Board. The general meetings may be held by means of videoconference or other methods which are compliant with the Applicable Public Company Rules or approved by the competent authority of the Company Act of the ROC.</u> (b) <u>When the Shares are listed on any ROC Securities Exchange, the Company shall comply with the conditions, operation procedures and other compliance requirements regarding videoconference required by the Applicable Public Company Rules.</u> (c) <u>The participation by the Members in a meeting through videoconference or other method which is compliant with the preceding paragraph shall constitute presence in person at such meeting.</u> (d) Unless otherwise provided by the Statute and unless otherwise determined by the Board, all general meetings <u>held physically</u> shall be in Taiwan. So long as the Shares are listed on any ROC Securities Exchange, if the Board resolves to hold a <u>physical</u> general meeting outside Taiwan, the Company shall apply for the approval of the applicable ROC Securities Exchange within two (2) days after the Board passes such resolution. Where a general meeting is to be held outside Taiwan, so long as the Shares are listed on any ROC Securities Exchange, the Company shall engage a professional securities agent licensed in Taiwan to be present at the such general meeting and to handle the administration of such general meeting, including without limitation, the handling of the voting of proxies submitted by Members.</p>	<p>Article 27 is amended in reference to the Checklist of Shareholders Right Protection Items at the Place of Registration of the Foreign Issuers.</p>
<p>37. So long as the Shares are listed on any ROC Securities Exchange, the Company shall send materials as required by the Applicable Public Company Rules (including written ballots if the Members may exercise their votes by means of written ballots at general meetings) relating to the matters to be</p>	<p>37. So long as the Shares are listed on any ROC Securities Exchange, the Company shall send materials as required by the Applicable Public Company Rules (including written ballots if the Members may exercise their votes by means of written ballots at general meetings) relating to the matters to be</p>	<p>Article 37 is amended in reference to the Checklist of Shareholders Right Protection Items at the Place of Registration of the Foreign Issuers.</p>

<p>discussed in each meeting together with the notice convening the general meeting in accordance with Article 35 hereof and shall transmit the same via the Market Observation Post System. The Board shall prepare a meeting handbook for the relevant general meeting and supplemental materials in accordance with the Applicable Public Company Rules, which will be sent to or made available to all Members and shall be transmitted to the Market Observation Post System in accordance with Applicable Public Company Rules, at least twenty-one (21) days prior to the date of the annual general meeting, and at least fifteen (15) days prior to the date of an extraordinary general meeting.</p>	<p>discussed in each meeting together with the notice convening the general meeting in accordance with Article 35 hereof and shall transmit the same via the Market Observation Post System. The Board shall prepare a meeting handbook for the relevant general meeting and supplemental materials in accordance with the Applicable Public Company Rules, which will be sent to or made available to all Members and shall be transmitted to the Market Observation Post System in accordance with Applicable Public Company Rules, at least twenty-one (21) days prior to the date of the annual general meeting, and at least fifteen (15) days prior to the date of an extraordinary general meeting. <u>However, in the case of the paid-in capital of the Company reaching NT\$10 billion or more as of the last day of the most recent fiscal year, or the total shareholding owned by foreign investors and Mainland Chinese investors reached 30% or more as recorded in the Register of Members, at the time of holding the annual general meeting in the most recent fiscal year, the Company shall upload the aforesaid electronic file at least thirty (30) days prior to the date of annual general meeting.</u></p>	
<p>52. Subject to the Statute and all applicable law, the Board may determine that Members not attending and voting at a general meeting in person or by proxy may exercise their voting right <del>either by means of a written ballot or</del> by means of electronic transmission.</p>	<p>52. Subject to the Statute and all applicable law, the Board may determine that Members not attending and voting at a general meeting in person or by proxy may exercise their voting right by means of electronic transmission.</p>	<p>Article 52(a) is amended in reference to the suggested wording of the Checklist of Shareholders Right Protection Items at the Place of Registration of the Foreign Issuers.</p>
<p>59. (a) Subject to compliance with the Statute, in the event of a Spin-off of any part of the Company's business or if the Company is involved in any Merger or Consolidation with any other company, any Member who has abstained from voting on such matter (or had voted against such matter) and has expressed his/her/its dissent thereof in writing before (in the case of a Merger or Consolidation) or during the relevant general meeting at which such matter is considered and approved, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value. (b) Any <del>Shareholder</del> who makes a request under Article 58 or paragraph (a) of this Article shall make it in writing within 20 days from the date the resolution of the general meeting was made and shall specify the price for buying back. If the Company and such <del>Shareholder</del> reach an agreement as to</p>	<p>59. (a) Subject to compliance with the Statute, in the event of a Spin-off of any part of the Company's business or if the Company is involved in any Merger or Consolidation with any other company, any Member who has abstained from voting on such matter (or had voted against such matter) and has expressed his/her/its dissent thereof in writing before (in the case of a Merger or Consolidation) or during the relevant general meeting at which such matter is considered and approved, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value. (b) Any <u>Member</u> who makes a request under Article 58 or paragraph (a) of this Article shall make it in writing within 20 days from the date the resolution of the general meeting was made and shall specify the price for buying back. If the Company and such <u>Member</u> reach an agreement as to the</p>	<p>Article 59(d) is added in reference to the Checklist of Shareholders Right Protection Items at the Place of Registration of the Foreign Issuers.</p>

<p>the buy back price, the Company shall pay for the Shares within 90 days from the date the resolution of the general meeting was made. In the absence of agreement, the Company shall pay the fair value it has determined to the dissenting <del>Shareholder</del> within 90 days since the date the resolution of the general meeting was made. If the Company does not make such payment, the Company shall be deemed to have agreed to the price proposed by such <del>Shareholder</del>.</p> <p>(c) <del>In the event Shareholders</del> request the Company to buy back all of their Shares <del>according to paragraph (a) of Article 58 and paragraph (a) of this Article and Shareholders</del> and the Company cannot reach agreements about the purchase price within 60 days since the date of the resolution of the general meeting was made, the Company shall apply to the court for a ruling on the fair value in respect of all dissenting <del>Shareholders</del> within 30 days after that 60-day duration has expired, and the Taipei District Court, ROC, may be the court of first instance for this matter.</p>	<p>buy back price, the Company shall pay for the Shares within 90 days from the date the resolution of the general meeting was made. In the absence of agreement, the Company shall pay the fair value it has determined to the dissenting <u>Member</u> within 90 days since the date the resolution of the general meeting was made. If the Company does not make such payment, the Company shall be deemed to have agreed to the price proposed by such <u>Member</u>.</p> <p>(c) <u>In the event of paragraph (a) of Article 58 and paragraph (a) of this Article, Member who has expressed his/her/its dissent thereof in writing or verbally with a record before or during the general meeting, and thus has abstained from voting on or voted against such matter at the general meeting, may</u> request the Company to buy back all of their Share <u>in accordance with such paragraph. When the Members</u> and the Company cannot reach agreements about the purchase price within 60 days since the date of the resolution of the general meeting was made, the Company shall apply to the court for a ruling on the fair value in respect of all dissenting <u>Members</u> within 30 days after that 60-day duration has expired, and the Taipei District Court, ROC, may be the court of first instance for this matter.</p> <p>(d) <u>In the event Members abstained from voting according to the preceding paragraph, the shares represented by such Member shall not be counted in the number of votes of Members present at that meeting.</u></p>	
<p>89. A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by law. In an M&amp;A Transaction effected by the Company, a Director who has a personal interest in such transaction shall explain at the Board meeting and the general meeting the essential contents of such personal interest and the cause of his/her/its approval or dissent to the resolution of such M&amp;A Transaction. A Director who has a personal interest in the matter under discussion at a meeting of the Board, which conflicts with and may harm the interests of the Company, shall neither vote nor exercise voting rights on behalf of another Director at the relevant meeting; the votes cast by such Director who is prohibited from voting or exercising any voting right as prescribed above shall not be</p>	<p>89. A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by law. In an M&amp;A Transaction effected by the Company, a Director who has a personal interest in such transaction shall explain at the Board meeting and the general meeting the essential contents of such personal interest and the cause of his/her/its approval or dissent to the resolution of such M&amp;A Transaction. <u>Under the circumstances of the preceding paragraph, the Company shall specify the essential contents of the director's personal interest and the reason of approval or dissent to the resolution of merger/consolidation or acquisition in the notice to convene a meeting of Members; the essential contents may be posted on the website designated by the competent authority of ROC or the</u></p>	<p>Article 89 is amended in reference to the Checklist of Shareholders Right Protection Items at the Place of Registration of the Foreign Issuers.</p>

<p>counted in the number of votes of Directors present at that meeting of the Board, but an interested Director may be counted towards the quorum of the meeting. So long as the Shares are listed on any ROC Securities Exchange, if the spouse or anyone having a family relationship within the second degree of kinship (as defined in the Applicable Public Company Rules) of a Director, or a company being controlled by or subordinate to a Director is interested in the matter under discussion at the such meeting, such relationship shall be deemed as that Director's personal interest in such matter.</p>	<p><u>Company, and the address of such website shall be indicated in the above notice.</u> A Director who has a personal interest in the matter under discussion at a meeting of the Board, which conflicts with and may harm the interests of the Company, shall neither vote nor exercise voting rights on behalf of another Director at the relevant meeting; the votes cast by such Director who is prohibited from voting or exercising any voting right as prescribed above shall not be counted in the number of votes of Directors present at that meeting of the Board, but an interested Director may be counted towards the quorum of the meeting. So long as the Shares are listed on any ROC Securities Exchange, if the spouse or anyone having a family relationship within the second degree of kinship (as defined in the Applicable Public Company Rules) of a Director, or a company being controlled by or subordinate to a Director is interested in the matter under discussion at the such meeting, such relationship shall be deemed as that Director's personal interest in such matter.</p>	
---	---	--

## **8. Purpose of private placement, Impact on management rights and Impact on shareholders' equity**

1. The number of Privately Placed Shares shall be up to 5,000,000 shares, and account for 13.97% of the capital. The directors held 12,500,174 shares on April 14, 2023, and account for 34.93% of issued shares. There will be no major changes to operating rights.
2. The investor is including strategic investor and insider, Wu Po-Chao. The company expects to improve technology, quality, efficiency, cut cost, and stable source of key raw materials, through the investors' profession knowledge, marketing sensitive, brand awareness. The selection of private placement shall be conducted in accordance with Article 43-6 of the Securities and Exchange Act of the former Securities and Futures Commission of the Ministry of Finance.
3. Privately placed securities cannot be freely traded within three years, can ensure the long-term cooperation between the Company and strategic investors.
4. Above all the private placement will be no major changes to operating rights, therefore there is no need to ask securities underwriter to issue an opinion on the rationality and necessity of the changing of operating rights.



### 9. Comparison Table of “Procedures for Acquisition or Disposal of Assets”

Pre-amendment contents	Post-amendment contents	Explanation of amendment
<p>Article 19</p> <p>Any matter not provided herein shall be subject to relevant laws and regulations.</p> <p>I. The Company does not waive the privilege of capital increase in all years ahead in RBT Enterprises LTD, RBT Holdings LTD. (hereinafter referred to as RBT Holdings) and YEN MEI Enterprise Limited. RBT Holdings shall not waive the privilege of capital increase in all years ahead in Happy Lemon HK LTD, RBT Resources LTD, Xian Zong Lin Food &amp; Beverage Management (Shanghai) CO.,LTD (hereinafter referred to as Shanghai RBT) and Freshtea Japan CO., LTD. Shanghai RBT shall not waive the privilege of capital increase in all years ahead in Happy Lemon Food &amp; Beverage Management (Shanghai) CO.,LTD (hereinafter referred to as Shanghai Happy Lemon), Shanghai Tai Quan Trading CO., LTD. (hereinafter referred to as Shanghai Taiquan), Jia Qun Food &amp; Beverage Management (Beijing) CO.,LTD, <del>Zhan Cheng Food &amp; Beverage Management (Guangzhou) CO.,LTD</del> and You Xiang Food &amp; Beverage Management (Shanghai) CO.,LTD. <del>Shanghai Happy Lemon shall not waive the privilege of capital increase in all years ahead in Happy Lemon Food &amp; Beverage Management (Chengdu) CO.,LTD.</del></p>	<p>Article 19</p> <p>Any matter not provided herein shall be subject to relevant laws and regulations.</p> <p>I. The Company does not waive the privilege of capital increase in all years ahead in RBT Enterprises LTD, RBT Holdings LTD. (hereinafter referred to as RBT Holdings) and YEN MEI Enterprise Limited. RBT Holdings shall not waive the privilege of capital increase in all years ahead in Happy Lemon HK LTD, RBT Resources LTD, Xian Zong Lin Food &amp; Beverage Management (Shanghai) CO.,LTD (hereinafter referred to as Shanghai RBT) and Freshtea Japan CO., LTD. Shanghai RBT shall not waive the privilege of capital increase in all years ahead in Happy Lemon Food &amp; Beverage Management (Shanghai) CO.,LTD (hereinafter referred to as Shanghai Happy Lemon), Shanghai Tai Quan Trading CO., LTD. (hereinafter referred to as Shanghai Taiquan), Jia Qun Food &amp; Beverage Management (Beijing) CO.,LTD, Zhan Cheng Food &amp; Beverage Management (Guangzhou) CO.,LTD and You Xiang Food &amp; Beverage Management (Shanghai) CO.,LTD. Shanghai Happy Lemon shall not waive the privilege of capital increase in all years ahead in Happy Lemon Food &amp; Beverage Management (Chengdu) CO.,LTD.</p>	<p>Modification due to punishment of Sun Company</p>

## 10. Comparison Table of “Operational Procedures for Loaning Funds and Making Endorsements /Guarantees”

Pre-amendment contents	Post-amendment contents	Explanation of amendment
<p>Article 5</p> <p>The total amount of funds loaned by the company and its subsidiaries to others and the limits of individual objects are as follows:</p> <p>I. The total amount of funds lent to others by the company (Loaner) and its subsidiaries is limited to 40% of the company's (Loaner) net worth.</p> <p>II. If the company (Loaner) and its subsidiaries lend funds to others due to business transactions, the limit for individual objects shall not exceed the limit of the loaner company's most recent fiscal year and the amount of its purchases or sales, whichever is higher.</p> <p>III. If the loaner company and its subsidiaries lend funds to others due to the need for short-term financing, the limit for individual objects shall not exceed 20% of the loaner company's net worth.</p> <p>Non-Taiwan subsidiaries of the company that directly and indirectly hold 100% of the voting shares or non-Taiwan subsidiaries of the company that directly and indirectly hold 100% of the voting shares are not subject to this restriction, but the limit for individual objects is the highest The limit shall not exceed <del>80%</del> of the loaner company's net value, and the total shall not exceed <del>100%</del> of the loaner company's net value.</p>	<p>Article 5</p> <p>The total amount of funds loaned by the company and its subsidiaries to others and the limits of individual objects are as follows:</p> <p>I. The total amount of funds lent to others by the company (Loaner) and its subsidiaries is limited to 40% of the company's (Loaner) net worth.</p> <p>II. If the company (Loaner) and its subsidiaries lend funds to others due to business transactions, the limit for individual objects shall not exceed the limit of the loaner company's most recent fiscal year and the amount of its purchases or sales, whichever is higher.</p> <p>III. If the loaner company and its subsidiaries lend funds to others due to the need for short-term financing, the limit for individual objects shall not exceed 20% of the loaner company's net worth.</p> <p>Non-Taiwan subsidiaries of the company that directly and indirectly hold 100% of the voting shares or non-Taiwan subsidiaries of the company that directly and indirectly hold 100% of the voting shares are not subject to this restriction, but the limit for individual objects is the highest The limit shall not exceed <u>150%</u> of the loaner company's net value, and the total shall not exceed <u>200%</u> of the loaner company's net value.</p>	Adjust the limit of loaning funds.
<p>Article 20</p> <p>These Operational Procedures are duly enacted on July 11, 2012</p> <p>Amended on March 31, 2013 as the 1<sup>st</sup> amendment</p> <p>Amended on May 14, 2014 as the 2<sup>nd</sup> amendment.</p> <p>Amended on November 8, 2018 as the 3<sup>rd</sup> amendment</p> <p>Amended on January 10, 2019 as the 4<sup>th</sup> amendment</p> <p>Amended on March 22, 2019 as the 5<sup>th</sup> amendment</p> <p>Amended on November 11, 2019 as the 6<sup>th</sup> amendment</p> <p>Amended on June 23, 2020 as the 7<sup>th</sup> amendment</p> <p>Amended on September 23, 2020 as the 8<sup>th</sup> amendment</p>	<p>Article 20</p> <p>These Operational Procedures are duly enacted on July 11, 2012</p> <p>Amended on March 31, 2013 as the 1<sup>st</sup> amendment</p> <p>Amended on May 14, 2014 as the 2<sup>nd</sup> amendment.</p> <p>Amended on November 8, 2018 as the 3<sup>rd</sup> amendment</p> <p>Amended on January 10, 2019 as the 4<sup>th</sup> amendment</p> <p>Amended on March 22, 2019 as the 5<sup>th</sup> amendment</p> <p>Amended on November 11, 2019 as the 6<sup>th</sup> amendment</p> <p>Amended on June 23, 2020 as the 7<sup>th</sup> amendment</p> <p>Amended on September 23, 2020 as the 8<sup>th</sup> amendment</p> <p><u>Amended on June 12, 2023 as the 9<sup>th</sup> amendment</u></p>	Added amendment date.

## IV. Annex

### Annex 1

#### 1. Rules and Procedures for Shareholders' Meeting

Article 1 In an effort to elect directors on a fair, just and open manner, these Operational Procedures are duly enacted in accordance with Article 21 & Article 41 of "Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies" of the Republic of China.

Article 2 The Company's Procedure Rules for Shareholders' Meeting shall be duly handled in accordance with these Rules unless otherwise prescribed in laws or Articles of Incorporation.

Article 3 The Company's shareholders' meeting shall be convened by the Board of Directors unless otherwise prescribed by law.

Thirty (30) days prior to the Company convenes a regular shareholders' meeting or fifteen (15) days prior to a special shareholders meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, discussion, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System. The Company shall further prepare and submit the Meeting Agenda Handbook and supplementary materials in electronic files to the Market Observation Post System (MOPS) twenty-one (21) days prior to a shareholders' regular meeting or fifteen (15) days prior to a shareholders' extraordinary meeting. The Company shall further produce the Meeting Agenda Handbook and supplementary data of the shareholders' meeting ready available to shareholders all the time, display them in the Company and the professional shareholder services agent commissioned by the Company fifteen (15) days in advance of the shareholders' meeting and shall place them on-the-spot at the venue of the shareholders' meeting.

The notices and public announcements shall expressly bear the subjects of convening. Subject to consent by the counterparts, the notices may be served in electronic means.

Such issues e.g., election or discharge of directors and supervisors, amendment to Articles of Incorporation, dissolution of the Company, merger, demerger or commissioned business operation, business operation in common, transfer inward or outward in business operation, issues as set forth under Article 26~1, Article 43~6 of Securities and Exchange Act of the Republic of China; Paragraph II, Article 60 of Regulations Governing Securities Issuers of the Republic of China in Offering and Issuance of Negotiable Securities and Article 56~1 & Article 60 ~2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be officially enumerated under the notices of the meeting and shall not be posed by means of an extraordinary (unscheduled) motions.

A shareholder who holds over 1% of the total outstanding shares may pose proposal to the Company's shareholders' regular meeting, provided, that one shareholder may propose only one issue. The issue(s) more than one shall not be entered into the agenda. The Board of Directors may not take an issue posed by a shareholder into the agenda if such issue proves falling within those enumerated under Paragraph 4 of Article 47 of the Articles of Incorporation. The Company shall promulgate acceptance of proposals from shareholders, location of acceptance and duration of shareholders' meeting. The duration to accept proposals shall not be shorter than the minimum of ten (10) days.

A proposal posed by a shareholder shall be limited to 300 Chinese characters as the maximum limit. A proposal exceeding 300 Chinese characters shall not be counted into the agenda. A shareholder who poses a proposal shall participate in the shareholders' meeting either in person or through a proxy and shall participate in the process of discussion of that issue.

The Company shall keep the proposing shareholders informed of the outcome of processing prior to service of notices to the shareholders' meeting and shall enumerate the proposals satisfactory the requirements set forth under this Article into the notices to the shareholders' meeting. To the proposals by shareholders not covered into the agenda, the Board of Directors shall explain the reason why they are not counted.

Article 4 For each shareholders' meeting, a shareholder may issue the proxy form provided by the Company and expressly bear the scope of authorized powers to authorize a proxy to participate in the shareholders' meeting on behalf.

A shareholder may issue only one proxy form and may authorize only one proxy. The proxy form shall be served to the Company five (5) days prior to the date scheduled to convene the meeting. In case of double proxies, it shall be handled "first in, first out" basis unless the preceding proxy form is declared revoked.

A shareholder who intends to participate in a shareholders' meeting in person or to exercise the voting power in writing after the proxy form is submitted to the Company shall notify the Company to revoke the proxy notice in writing two (2) days prior to the date scheduled for the meeting. In the event that such shareholder fails to revoke within the specified time limit, the voting power exercised by the proxy shall prevail.

Article 5 The shareholders' meeting shall be convened at a venue where the Company is postponentment or a venue appropriate to convening of the shareholders' meeting. The shareholders' meeting shall not start at a time earlier than 9:00 a.m. or later than 3:00 p.m. About the venue and time of a shareholders' meeting, the Company shall take the opinions of the independent directors into adequate consideration.

Article 6 The Company shall expressly provide on the notices to the shareholders' meeting the time, venue to report for participation and other key points for attention.

Enrollment by shareholders for a shareholders' meeting shall be 30 minutes prior to start of the meeting as the minimum. The spot for enrollment shall be expressly labeled and shall be staffed with adequate personnel for the process.

A shareholder himself or herself or the proxy commissioned by a shareholder (hereinafter collectively referred to as shareholder) shall participate in a shareholders' meeting based on the participation certificate, sign-in card or other participate in paper. Toward the certificates or vouchers for participation in a shareholders' meeting, the Company shall not provide any additional requirements of other supporting certificate(s). A solicitor of power of attorney (proxy) shall present his or her identity certificate paper ready for checking and verification. The Company shall prepare the sign-in book so that the participating shareholders may sign in.

Or a participating shareholder may present the sign-in card instead of the sign-in process.

The Company shall hand over the Meeting Agenda Handbooks, annual reports, participation certificates, speech (floor) slips, votes and other supporting data for the meeting to the participating shareholders, and shall further provide them with election ballots in case of election of directors and supervisors.

In case of a shareholder as the government or a juristic person, the representative participating the shareholders' meeting may not be confined to one. Where a juristic person is authority to serve as a proxy, such juristic person may appoint one representative to participate in the shareholders' meeting.

Article 7 The shareholders' meeting shall be chaired by the chairman if it is convened by the Board of Directors. In the event that the chairman is on leave or is unable to exercise the power by any reason, the chairman shall appoint one director to act on behalf. In the event that the chairman does not appoint a substitute, one director shall be elected from among themselves to act on behalf.

A special shareholders meeting convened by the Board of Directors shall be chaired by the chairman in person and shall be attended by directors representing one half majority of the aggregate total of directorship seats and a minimum of one functional Committee member. All facts of participation shall be expressly entered into the minutes of the shareholders' meeting.

Where a shareholders' meeting is convened by another authorized person beyond the Board of Directors, the shareholders' meeting shall be chaired by that convener. In case of two or more conveners, one shall be elected from among themselves to act on behalf.

The Company may appoint the retained Attorney-at-Law, Certified Public Accountant or the relevant personnel to participate in the shareholders' meeting as non-voting (guest) participants .

Article 8 Starting from the moment when the Company accepts check-in by shareholders, the Company shall conduct continual and uninterrupted audio & videotaping records for the entire process of enrollment by shareholders, progress of the meeting, balloting process.

The continual and uninterrupted audio & videotaping records mentioned in the preceding Paragraph shall be archived for a minimum of one year and, nevertheless, until the litigation is concluded in the event that a shareholder lodges litigious action in accordance with these Articles of Incorporation or laws and regulations applicable to public companies of the Republic of China.

Article 9 The participation in the shareholders' meeting shall be counted based on the number of shares. The chairperson shall call to start the meeting when the time is up. In the event that the meeting is attended by shareholders who do not constitute a half of the total outstanding shares, nevertheless, the chairperson may announce a postponement for the meeting. The total of the postponements shall not exceed the maximum of twice and the aggregate total of postponements shall not exceed one hour. In the event that the shareholders' meeting is attended by shareholders who represent still less than one-third of the total outstanding shares after twice postponements, the chairperson may announce that the shareholders' meeting be aborted.

Article 10 Where a shareholders' meeting is convened by the Board of Directors, the agenda shall be worked out by the Board of Directors and shall be handled based on the scheduled agenda. The agenda shall not be changed unless duly resolved by the shareholders' meeting.

The provision set forth under the preceding paragraph is equally applicable *mutatis mutandis* to an event where the shareholders' meeting is convened by another convener beyond the Board of Directors.

The chairperson shall not announce adjournment of the meeting unless duly resolved, before the issues on the agenda as mentioned in the two preceding paragraphs (including extraordinary motions) are concluded. Where the chairperson breaches the Procedure Rules for Shareholders' Meeting and announces adjournment of the meeting, other members of the Board of Directors shall promptly help the participating shareholders to elect one person through a majority vote of the participating shareholders to serve as the chairperson to continue the meeting.

Toward the amendments or extraordinary motions proposed by shareholders, the chairperson shall grant adequate opportunities for explanation and discussion. Where an issue is believed up to the extent for voting a decision, the chairperson may announce discontinuance from discussion and put the issue into voting process.

Article 11 Before a shareholder takes the floor, he or she shall fill up the speech slip which shall expressly bear the subject of his or her speech, shareholder account number (or participation certificate number) and name of account holder. The chairperson shall fix the subsequent order of the floor.

Where a shareholder does not speak up after having submitted a slip of the floor, he or she is deemed to have not spoken up. In case of a discrepancy between the contents actually spoken and those shown on the contents of the floor, the contents actually spoken shall prevail.

For a same issue, a shareholder shall not speak more than twice, and not over five minutes in each speech. Where a shareholder breaches the requirements or speaks beyond the specified scope, the chairperson may stop his or her speech.

Where a shareholder speaks, other shareholders shall not speak to interfere unless consented by the chairperson and the speaking shareholder. The chairperson may stop an offender, if any. Where a juristic person shareholder appoints more than two representatives to participate in the shareholders' meeting, only one among them may take the floor for a same issue.

After a shareholder completes the floor, the chairperson may reply either in person or through another designated by the chairperson.

Article 12 The voting by shareholders shall be calculated based on the number of shares.

In terms of resolution by shareholders, the number of shares without voting powers is not counted into the number of outstanding shares.

On the issues of the shareholders' meeting, a shareholder shall not join the voting process and shall not act as a proxy to vote for another shareholder on an issue which is in involvement in his or her own interests and likely to impair the Company.

The number of shares which could not be exercised for voting power as stated in the preceding paragraph is not counted into the number of voting powers of participating shareholders.

Except a trust enterprise or shareholder services agent approved by the competent authority over securities, where one is delegated by two or more shareholders simultaneously, the aggregate total of his or her voting power shall not exceed 3% of the aggregate total of outstanding shares. The voting power in excess, if any, shall be discarded.

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

When this Corporation holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder who intends to participate in the shareholders' meeting in person after exercising voting power in electronic means or in writing shall revoke the expression of intent mentioned in the preceding paragraph in a means same as exercise of voting power two (2) days prior to the date scheduled to convene the shareholders' meeting. In the event that he or she fails to revoke in time, the voting power exercised in electronic means or in writing shall prevail. In the event that a shareholder exercises voting power in electronic means or in writing and further authorizes a proxy with a proxy form to participate in the shareholders' meeting, the voting power exercised by his or her proxy shall prevail.

Unless otherwise specified in laws and ordinances governing public listed companies of the Republic of China, decisions in the shareholders' meeting shall be resolved by over one half majority vote in the meeting. During the balloting process, the chairperson or the person designated by the chairperson shall first announce the aggregate total of voting powers represented by the participating shareholders. The shareholders shall vote with ballots on a case-by-case basis. On the very day after a shareholders' meeting is convened, the outcome cast by shareholders, their objections and abstention shall be input into the Market Observation Post System (MOPS).

Where an issue has an amendment or an alternate, the chairperson shall decide the order of voting process along with the initial issue. Where one issue has been duly resolved, other issue(s) shall be deemed vetoed and shall call for no more voting process.

In the voting process, the monitors and calculators shall be designated by the chairperson. A monitor shall be designated among shareholders.

In the voting and election process in a shareholders' meeting, the ballot calculation shall be conducted in an open site of the shareholders' meeting venue. Upon completion of the calculation process, the outcome of calculation shall be announced on-the-spot, including the number of voting powers in statistics which shall be worked out into records.

Article 14 Where directors are elected in a shareholders' meeting, the election shall be duly conducted under the norms of election enacted by the Company. The outcome of the election shall be announced on-the-spot, including list of elected directors and the number of election ballots they win in the election.

The election ballots for the election mentioned in the preceding paragraph shall be signed and tightly enclosed by the monitor(s) and put into prudential custody for a minimum of one year. The same shall be archived until the litigation is concluded in the event that a shareholder lodges litigious action in accordance with these Articles of Incorporation or laws and regulations applicable to public companies of the Republic of China.

Article 15 Decisions resolved in the shareholders' meeting shall be covered in the minutes which shall be signed or affixed seals by the chairperson and served to all shareholders within twenty (20) days after the meeting. The minutes may be worked out and distributed in electronic means.

The distribution of the minutes mentioned in the preceding paragraph may be conducted by the Company by being input into the Market Observation Post System (MOPS).

The minutes of shareholders' meeting shall expressly bear the month, date, year, venue, the chairperson's name, method of voting, process and highlights of the meeting, the outcome and shall be archived permanently while the Company exists.

Article 16 For the number of shares obtained by solicitors and number of shares represented by proxies, the Company shall work out statistics list and expressly disclose within the venue of the shareholders' meeting on the day when the shareholders' meeting is convened.

Where the decisions resolved in a shareholders' meeting involve the significant messages as promulgated by law or by Taipei Exchange, the Company shall transmit such messages into the Market Observation Post System (MOPS) within the specified time limit.

Article 17 The staff members for a shareholders' meeting shall wear identity certificates or armbands. The chairperson may instruct the picketers or security guards to help maintain the order of a shareholders' meeting venue. Where the picketers or security guards help maintain the order at the venue, they shall wear the identity certificates or armbands bearing "Picketers". Where a loudspeaker is provided in the venue of shareholders'

meeting and where a shareholder speaks not with the equipment provided by the Company, the chairperson stops him or her from speaking.

Where a shareholder breaches Procedure Rules for Shareholders' Meeting or defies rectification by the chairperson and thus hampers progress of the meeting against the stopping act, the chairperson may instruct the picketers or security guards to ask him or her to quit the venue.

Article 18 During the process of a shareholders' meeting, the chairperson may fix an appropriate time for recess. Upon occurrence of force majeure, the chairperson may rule to temporarily suspend the meeting and announce the time to resume the meeting as the actual situations may justify.

In the event that the venue for the shareholders' meeting could not be used continually before the scheduled agenda (including extraordinary motions) are completed, the meeting may be continued at a new venue as resolved in the shareholders' meeting.

The shareholders' meeting may postpone the shareholders' meeting or resume the meeting within five (5) days as resolved in accordance with these Articles of Incorporation or laws and regulations applicable to public companies of the Republic of China.

Article 19 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

These Rules are duly enacted on July 11, 2012

Amended on March 31, 2013 as the 1<sup>st</sup> amendment

Amended on June 17, 2015 as the 2<sup>nd</sup> amendment.

Amended on May 24, 2016 as the 2<sup>nd</sup> amendment.

## Annex 2

### 2. Regulations Governing Procedure for Board of Directors Meetings (Pre-amendment contents)

Article 1 To establish a strong governance system and sound supervisory capabilities for this Corporation's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 2 With respect to the board of directors meetings ("board meetings") of this Corporation, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.

Article 3 The board of directors shall meet at least quarterly.

A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.

The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.

All matters set forth under Article 18, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.

Article 4 A board meeting shall be held at the premises and during the business hours of this Corporation, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

Article 5 The designated unit responsible for the board meetings of this Corporation shall be Group Office.

The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.

A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

Article 6 Agenda items for regular board meetings of this Corporation shall include at least the following:

1. Matters to be reported:

- (1) Minutes of the last meeting and action taken.
- (2) Important financial and business matters.
- (3) Internal audit activities.
- (4) Other important matters to be reported.

2. Matters for discussion:

- (1) Items for continued discussion from the last meeting.
- (2) Items for discussion at this meeting.

3. Extraordinary motions.

Article 7 For a company that has issued stock in accordance with this Act and established an audit committee, which shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution:

1. Adoption or amendment of an internal control system
2. Assessment of the effectiveness of the internal control system.



3. Adoption or amendment, pursuant to Article 36-1, 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.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
11. Any other material matter so required by the company or the Competent Authority.

With the exception of subparagraph 10, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

"All audit committee members" as used in paragraph 1, and "all directors" as used in paragraph 2, shall mean the actual number of persons currently holding those positions.

Article 8 With the exception of matters required to be discussed at an audit committee and a board meeting under Article 7, paragraph 1, when the board of directors appoints a party to exercise the powers of the board in accordance with applicable laws and regulations or this Corporation's articles of incorporation, the resolution of shareholders meeting or related regulations.

Article 9 When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.

Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with this Corporation's articles of incorporation. Attendance by videoconference will be deemed attendance in person. A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

Article 10 Where a meeting of the board of director is chairperson of called by the chairperson of the board, the meeting shall be chaired by the chairperson. However, where the first meeting of each newly elected board of directors is called by the director who received vote representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected, the meeting shall be chaired by that director; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to chair the meeting.

When the chairperson of the board is on leave or for a reason is unable to exercise the powers of the chairperson, by a director designated thereby, or, if the chairperson does not make such a designation, by a directors elected by and from among themselves.

Article 11 When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants.

Article 12 The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance. If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3.

Article 13 A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply *mutatis mutandis*.

Article 14 When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.
4. A vote by a method selected at this Corporation's discretion.

"Attending directors," as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 16, paragraph 1.

Article 15 Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors.

When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If anyone among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission

Article 16 If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply *mutatis mutandis* in accordance with Article 206, paragraph 3 of the same Act.

Article 17 Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.

6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.
8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

- (1) Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
- (2) A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of this Corporation.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.

The meeting minutes of paragraph 1 may produce and distribute in electronic form.

Article 18 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting:

1. The Corporation's business plan.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year. (In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph.)

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

At least one independent director of this Corporation shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation, the content is as follows:

1. Company regulation
2. Approval authority
3. Resolutions of board meeting

Article 19 Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of this Corporation.

Article 20 Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of this Corporation.

Article 21 These Rules of Procedure shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders meeting. The board of directors may be authorized to adopt, by resolution, any future amendments to these Rules.

Article 22 These Regulations were enacted on July 11, 2012  
1<sup>st</sup> amendment was made on March 31, 2013.  
2<sup>nd</sup> amendment was made on November 9, 2017.  
3<sup>rd</sup> amendment was made on August 12, 2019.  
4<sup>th</sup> amendment was made on March 26, 2020.  
5<sup>th</sup> amendment was made on August 12, 2020.

## Annex 3

### 3. Articles of Incorporation and the Memorandum of Incorporation (Pre-amendment contents)

(adopted by a special resolution dated June 15, 2022)

1. In these Articles, the regulations contained in Table A in the Schedule to the Statute shall not apply and, unless there be something in the subject or context inconsistent therewith,

“Applicable Public Company Rules”	means the ROC laws, rules and regulations governing public reporting companies or companies listed on any ROC stock exchange or securities market that from time to time are required by the relevant regulator as being applicable to the Company, including, without limitation, the Company Act of the ROC, the Securities and Exchange Act of the ROC, the rules and regulations promulgated by the FSC and the rules and regulations promulgated by any of the ROC Securities Exchanges, as amended from time to time;
“approved stock exchange”	has the meaning as defined in the Statute and including The Gretai Securities Market of Taiwan and the Taiwan Stock Exchange;
“Articles”	means these Articles in their present form or as supplemented, altered or substituted from time to time by Special Resolution;
“Audit Committee”	means the audit committee of the Board established pursuant to these Articles;
“Board”	means the board of Directors appointed or elected pursuant to these Articles or, as the case may be, the Directors present at a meeting of Directors at which there is a quorum;
“Class” or “Classes”	means any class or classes of Shares as may from time to time be issued by the Company;
“Company”	means Yummy Town (Cayman) Holdings Corporation (雅茗天地股份有限公司);
“Consolidated Company”	means the new company that results from the consolidation of two or more Constituent Companies;
“Consolidation”	means 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 Statute;
“Constituent Company”	means a company that is participating in a Merger or a Consolidation with one or more other companies within the meaning of the Statute;
“delegation of the operation”	means delegation of the operation of the business (委託經營) as defined in the Company Act of ROC, as amended from time to time;

“Directors”	means the directors for the time being of the Company;
“dividend”	means dividends, capital distributions and capitalisation issues;
“frequent joint operation”	means frequent joint operation (經常共同經營) as defined in the Company Act of ROC, as amended from time to time;
“FSC”	means the Financial Supervisory Commission of the ROC;
“Independent Directors”	means the Directors who are elected as "Independent Directors" pursuant to Applicable Public Company Rules;
“listed Shares”	means Shares which are traded or listed on an approved stock exchange;
“Market Observation Post System”	means the public company reporting system maintained by the Taiwan Stock Exchange Corporation, online via <a href="http://newmops.tse.com.tw/">http://newmops.tse.com.tw/</a> ;
“Member”	means a person who is registered as the holder of Shares in the Register of Members;
“Memorandum”	means the memorandum of association of the Company as amended or substituted from time to time;
“Merger”	means 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 Statute;
“month”	means a calendar month;
“notice”	means written notice as further provided in these Articles unless otherwise specifically stated;
“Officer”	means any person appointed by the Board to hold an office in the Company;
“Ordinary Resolution”	means a resolution: <p>(a) passed by a simple majority of votes cast by Members, being entitled to do so, voting in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken, by a simple majority of the number of votes cast by such Members; or</p> <p>(b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;</p>
“Register of Members”	means the principal register and any branch register of Members of the Company to be maintained at such place within or outside the Cayman Islands as the

	Board shall determine from time to time;
“Registered Office”	means the registered office of the Company as required by the Statute;
“Remuneration Committee”	means the remuneration committee of the Board, established pursuant to these Articles;
“ROC” or “Taiwan”	means Taiwan, the Republic of China;
“ROC Securities Exchanges”	means GreTai Securities Market (including the Emerging Stock Market) and the Taiwan Stock Exchange of the ROC;
“Seal”	means the common seal of the Company and includes every duplicate seal;
“Secretary”	includes an assistant secretary and any person, firm, or corporation appointed by the Board to perform the duties of secretary of the Company;
“Share”	means a 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 and, for the avoidance of doubt, in these Articles the expression “Share” shall include a fraction of a Share;
“Solicitor”	means any Member, a trustee business or a securities agent mandated by Member(s), who solicits an instrument of proxy from any other Member to appoint him/her/it as a proxy to attend and vote at a general meeting, pursuant to the Applicable Public Company Rules;
“Special Resolution”	means a resolution :  (a) passed by a majority of not less than two-thirds of votes cast by Members, being entitled to do so, voting in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given; or  (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members aforesaid, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed;
“Spin-off”	refers to 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 issue new shares to the transferor company or to members of the transferor company;
“Statute”	means the Companies Act of the Cayman Islands and every modification, re-enactment or revision thereof for the time being in force;

“Subsidiary”	means, with respect to any company, (1) the entity, one half or more of whose total number of the issued voting shares or the total amount of the capital stock are directly or indirectly held by such company; (2) the entity that such company has a direct or indirect control over its personnel, financial or business operation; (3) the entity, one half or more of whose directors are concurrently acting as the directors of such company; or (4) the entity, one half or more of whose total number of issued voting shares or the total amount of the capital stock are held by the same member(s) of such company;
“Supermajority Resolution”	means a resolution passed by a majority of votes cast by the Members, as being entitled to do so, voting in person or where proxies are allowed, by proxy, at a general meeting attended by Members who represent two-thirds or more of the total issued shares of the Company. However, where the total number of shares represented by the Members present at such general meeting is less than two-thirds of the total issued shares of the Company, but is more than one half of the total issued shares of the Company, “Supermajority Resolution” shall instead mean a resolution passed by a majority of not less than two-thirds of votes cast by the Members, being entitled to do so, voting in person or, where proxies are allowed, by proxy, at such general meeting;
“Surviving Company”	means the sole remaining Constituent Company into which one or more other Constituent Companies are merged within the meaning of the Statute;
“Taiwan Clearing House”	means the Taiwan Clearing House established by the Taiwan Payments Clearing System Development Foundation to process check clearing and settlement services;
“written” and “in writing”	include all modes of representing or reproducing words in visible form.

Words importing the singular number only include the plural number and vice versa.

Words importing the masculine gender include the feminine gender, and vice versa.

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 or the Statute.

Words importing persons only include natural persons, companies or associations or bodies of persons whether incorporated or not.

References to any statute or statutory provision shall be construed as relating to any statutory modification or re-enactment thereof for the time being in force.

References to a document being executed include references to it being executed under hand or under seal or by any other method.

2. The business of the Company may be commenced as soon after incorporation as the Board shall see fit.
3. Subject to all applicable laws, the Board may pay, out of monies of the Company, all expenses incurred in connection with the formation and establishment of the Company including the expenses of registering the Company as an exempted company in the Cayman Islands.



## **CERTIFICATES FOR SHARES**

4. Certificates representing Shares of the Company shall be in such form as shall be determined by the Board. Such certificates may be under Seal. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. The name and address of the person to whom the Shares represented thereby are issued, with the number of Shares and date of issue, shall be entered in the Register of Members. All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the existing issued certificate(s) representing the Shares to be transferred shall have been surrendered and cancelled. The Board may authorise certificates to be issued with the seal and authorised signature(s) affixed by some method or system of mechanical process.
5. Notwithstanding Article 4 of these Articles, if a certificate for Shares is defaced, lost or destroyed, it may be replaced on payment of a reasonable fee and on such terms (if any) as to evidence, indemnity and to payment of any expenses of the Company in investigating such evidence and preparing such indemnity as the Board shall think fit.

## **ISSUE OF SHARES**

6. (a) Subject to the provisions, if any, in that connection in the Memorandum and to any resolution of Members of the Company in general meeting and without prejudice to any special rights previously conferred on the holders of existing Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares of the Company (including fractions of a Share) to such persons, at such times and on such other terms as they think proper, provided that no Share shall be issued at a discount except in accordance with the Statute, and PROVIDED ALWAYS that, notwithstanding any provision to the contrary contained in these Articles, the Company shall be precluded from issuing bearer Shares, warrants, coupons or certificates.  
  
(b) Subject to the Statute, so long as the Shares are listed on any ROC Securities Exchange, the Company may allot and issue new Shares on such terms as the Board may from time to time determine, to the employees of the Company and/or its Subsidiaries as approved by the Members by way of a Supermajority Resolution, and the number of the shares to be issued, the issuance price, and the terms and conditions of such issuance shall comply with the Applicable Public Company Rules.  
  
(c) So long as the Shares are listed on any ROC Securities Exchange, when the Company issues new shares to any employee of the Company and/or its Subsidiaries in compliance with the Applicable Public Company Rules, the Company may, by a Special Resolution, impose transfer restrictions to the effect that such employee shall not subsequently transfer his/her such Shares as allotted and issued by the Company for a period of no more than two (2) years.
7. So long as the Shares are listed on any ROC Securities Exchange, where the Company increases its issued share capital by issuing new Shares for cash consideration in Taiwan, the Company shall allocate ten percent (10%) of the total number of such new Shares to be issued, for offering to the public in Taiwan unless it is not necessary or appropriate, as determined by the FSC or other Taiwan authorities, for the Company to conduct the aforementioned public offering. However, if a percentage higher than the aforementioned ten percent (10%) is resolved by an Ordinary Resolution passed at a general meeting to be offered to the public in Taiwan, the percentage determined by such resolution shall prevail. The Company shall allocate ten (10) to fifteen percent (15%) of such new Shares reserved for subscription by employees of the Company and its Subsidiaries.
8. (a) So long as the Shares are listed on any ROC Securities Exchange, unless otherwise resolved by the Members in a general meeting by Ordinary Resolution, where the Company proposes to issue new Shares for cash consideration, the Company shall make a public announcement and send notices to Members in order to notify each Member that he/she/it is entitled to exercise a pre-emptive right to purchase his/her/its pro rata portion of the remaining new Shares (after allocation of the public offering portion and the employee subscription portion as set out in Article 7 above) to be issued for cash consideration. The Company shall state in such announcement and notices to the Members that if any

Member fails to purchase his/her/its pro rata portion of such remaining new Shares within the prescribed period, such Member shall be deemed to have waived his/her/its pre-emptive right to purchase such new Shares. In the event that Shares held by a Member are insufficient for such Member to exercise the pre-emptive right to purchase one new Share, the entitlement of pre-emptive right of several Members may be combined together for joint purchase of new Shares or for purchase of new Shares in the name of a single Member pursuant to the Applicable Public Company Rules. If the total number of the remaining new Shares to be issued has not been fully subscribed by the Members within the prescribed period, the Company may offer the balance of such unsubscribed Shares to the public or to a specific person or persons in accordance with the Applicable Public Company Rules.

(b) The pre-emptive right of the Members under Article 8(a) shall not apply if new Shares are issued in any of the following circumstances:

- (i) in connection with a Merger or Consolidation with another company, or pursuant to any Spin-off or reorganization of the Company;
- (ii) in connection with fulfilling the Company's obligations under warrants and/or options issued by the Company and Shares issued pursuant to Article 101(a), including those issued in accordance with the employee incentive programs under Article 10(a);
- (iii) in connection with fulfilling the Company's obligations under convertible bonds or corporate bonds issued by the Company which are convertible into Shares or which entitle its holders to acquire Shares;
- (iv) in connection with Shares issued pursuant to a statutory private placement in accordance with Applicable Public Company Rules; and
- (v) in connection with new fully-paid up Shares issued to the Members as satisfaction of declared dividend pursuant to Article 103, and/or as effecting any capitalisation of any other amount pursuant to Article 105.

(c) The reservation of new Shares for subscription by employees under Article 7 and the pre-emptive right of the Members under Article 8(a) shall not apply if new Shares are issued in any of the following circumstances:

(i) in the event where the Company is a surviving company which issues new Shares for a Merger reason, or where the Company is a parent company which issues new Shares for a Merger or Consolidation between any of its subsidiary and other companies;

(ii) in the event where all new Shares are issued in connection with the Company being acquired by another company;

(iii) in the event where all new Shares are issued in order to acquire shares, business, or assets of other companies;

(iv) in circumstances where new Shares are issued as part of a share swap under Applicable Public Company Rules (which is defined as where a company transfers all its issued shares to another company in exchange for shares, cash or other assets in that company as consideration for shareholders of the transferring company; the "**Share Swap**"); or

(v) in the event where new Shares are issued as part of a Spin-off.

9. The Company shall only issue fully paid-up Shares. Where a subscriber delays payment for Shares, the Company shall fix a period not less than one month, and shall make demand on such subscriber to pay up, and shall declare that in case of default of payment within the stipulated period the subscriber's rights shall be forfeited. After the Company has made the aforesaid call, subscribers who fail to pay accordingly shall forfeit their rights and the Shares subscribed to by them may be sold by the Company. Under the aforesaid circumstances, the Company may claim damages against the defaulting subscribers.
10. The Company may, upon recommendation by the Board by way of a resolution passed by a simple majority of the Directors present and voting at a duly convened meeting of the Board with at least two-thirds of the total number of the Directors in office, and in accordance with the Applicable Public Company Rules, adopt one or more employee incentive programs pursuant to which the Company may issue Shares, options, warrants or other similar instruments, to employees of the Company and its Subsidiaries. The Company may enter into agreements with employees of the Company and the employees of its Subsidiaries pursuant to the incentive program approved pursuant to this Article, whereby employees may subscribe, within a specific period of time, a specific number of Shares. The terms and conditions of such agreements shall be no less restrictive on the relevant employee than the terms specified in the applicable incentive program. However, options, warrants or other similar instruments issued pursuant to this Article are not transferable except for transmission upon the death of the holder thereof, and so long as the Shares are listed on any ROC Securities Exchange, the terms and conditions of such options, warrants or other similar instruments shall comply with the Applicable Public Company Rules and Articles 32 (a) (v) and 38(j).
11. The Company shall maintain a Register of Members, and any such register maintained in respect of listed Shares may be kept by recording the particulars as required by the Statute in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the relevant approved stock exchange. Every person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive one certificate for all his/her/its Shares or several certificates for his/her/its Shares in the form as prescribed by the Board. Subject to the provisions of the Statute and Articles 14 and 39 below, if the Board considers it necessary or appropriate, the Company may establish and maintain a principal or branch Register of Members at such location as the Board thinks fit. The Company shall cause to be kept at the place where the principal register is kept a duplicate of any branch register duly entered up from time to time. In addition, so long as the Shares are listed on an ROC Securities Exchange, the Company shall, upon any issue of new Shares, cause such shares to be credited to the accounts of the subscribing Members maintained with the Taiwan Depository & Clearing Corporation pursuant to the Applicable Public Company Rules within thirty (30) days from the date of issuance of such Shares, and shall make a prior public announcement pursuant to the Applicable Public Company Rules.

#### **TRANSFER OF SHARES**

12. (a) The instrument of transfer of any Share shall be in any usual or common form or such other form as the Board may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if so required by the Board, shall also be executed by or on behalf of the transferee and shall be accompanied by the certificates (if any) for the Shares to which the transfer relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Member until the name of the transferee is entered in the Register of Members in respect of the relevant Shares.  
  
(b) Notwithstanding anything to the contrary in these Articles, title to listed Shares may be evidenced and transferred in accordance with the laws applying to and the rules and regulations of the relevant approved stock exchange that are or shall be applicable to such listed Shares.
13. The registration of transfers may be suspended when the Register of Members is closed for transfers in accordance with Article 24.
14. For so long as the Shares are listed on one of the ROC Securities Exchanges, the Company shall keep and maintain a branch Register of Members in Taiwan.

## REDEMPTION, PURCHASE, SURRENDER AND TREASURY SHARES

15. (a) Subject to the provisions of the Statute and the Memorandum, Shares may be issued on the terms that they are, or at the option of the Company or the holder are, redeemable on such terms and in such manner as the Company may by Special Resolution determine before the issue of such Shares.
- (b) Subject to the provisions of the Statute, the Memorandum and any rights conferred on the holders of any Class of Shares, the Company may purchase its own Shares (including fractions of a Share), including any redeemable Shares, provided that the manner and terms of purchase have first been authorised by the Company in general meeting by an Ordinary Resolution and may make payment therefor in any manner authorised by the Statute, including out of capital. The number of Shares to be purchased and cancelled by the Company pursuant to such Ordinary Resolution shall be pro rata among the Members in proportion to the number of Shares held by each Member.
- (c) Subject to the Statute and the Applicable Public Company Rules, the consideration payable by the Company to any Member in respect of a purchase of Shares by the Company may be paid in cash or be satisfied by the transfer of any assets. Where the consideration payable by the Company to a Member in respect of a purchase of Shares by the Company is to be satisfied by the transfer of any assets ("Non-Cash Consideration"), the Board shall, prior to the general meeting approving the purchase of Shares, (i) conduct a valuation on the said assets and such valuation must be audited and certified by an accountant admitted to practice in the ROC and (ii) seek specific consent from such Member approving the Non-Cash Consideration and must receive his/her/its written consent prior to the general meeting approving the purchase of Shares. In the event that written consent is not received from a Member in respect of Non-Cash Consideration, the Company shall pay cash consideration to such Member in respect of the purchase of Shares from such Member. The assets to be transferred to Members by the Company in respect of a purchase of Shares and the audited valuation of such assets shall be approved by an Ordinary Resolution at the same general meeting approving the purchase of Shares.
- (d) Notwithstanding the foregoing and subject to the provisions of the Statute, so long as the Shares are listed on any ROC Securities Exchange, the Company may purchase its Shares listed and traded on such ROC Securities Exchange in accordance with the Applicable Public Company Rules if such purchase is authorised by the Board by way of a resolution passed by a simple majority of the Directors at a duly convened meeting of the Board except that the quorum necessary for a Board meeting considering such on-market repurchases shall be at least two-thirds of the total number of the Directors in office, and the Board shall report the execution status of such repurchase to the Members at the next general meeting.
- (e) No Share may be redeemed or purchased unless it is fully paid-up.
- (f) The Company may accept the surrender for no consideration of any fully paid Share (including a redeemable Share) unless, as a result of the surrender, there would no longer be any issued Shares of the Company other than shares held as treasury shares.
- (g) The Company is authorised to hold treasury Shares in accordance with the Statute.
- (h) The Board may classify as treasury shares any of the Shares that it purchases or redeems, or any shares surrendered to it, in accordance with the Statute.
- (i) Shares held by the Company as treasury shares shall continue to be classified as treasury shares until such Shares are either cancelled or transferred in accordance with the Statute.
- (j) A treasury share 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 Statute.
16. (a) So long as the Shares are listed on any ROC Securities Exchange, any transfer by the Company of any treasury share purchased in accordance with Article 15 (b) to any employee of the Company and/or its Subsidiaries for less than the average actual

purchase or redemption price, shall require the prior approval of the Members in general meeting by way of a Special Resolution. A summary of the following matters relating to the Company's transfer of treasury shares to employees of the Company and/or its Subsidiaries must be specified in the notice of the general meeting where such authorisation is sought:

- (i) the proposed transfer price, the discount rate, the bases of calculations and the reasonableness thereof;
  - (ii) the number of treasury shares to be transferred, and the purpose and the reasonableness of the proposed transfer;
  - (iii) qualifications of the employees, and the number of treasury shares they may purchase; and
  - (iv) impact on shareholders' equity, such as additional expenses incurred, reduction of the Company's earnings per share, and the financial burdens on the Company resulting from transferring treasury shares to employees at less than the average actual purchase or redemption price.
- (b) So long as the Shares are listed on any ROC Securities Exchange, the aggregate number of treasury shares transferred to employees in accordance with Article 16 (a) may not exceed five (5) percent of the total issued Shares, and the aggregate number of shares to any single employee may not exceed 0.5 percent of the total issued Shares, subject to the Applicable Public Company Rules (including *Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies* promulgated by FSC).
- (c) So long as the Shares are listed on any ROC Securities Exchange, when the Company transfers its treasury shares purchased in accordance with Article 15 (b) to any employee of the Company and/or its Subsidiaries, the Company may enter into a contract with such employee for the purpose of restricting such employee's subsequent transfers of his/her Shares (so transferred to him/her by the Company) for a period of no more than two (2) years.

## VARIATION OF RIGHTS OF SHARES

17. (a) If at any time the Share capital of the Company is divided into different Classes of Shares, the rights attached to any Class (unless otherwise provided by the terms of issue of the Shares of that Class) may, whether or not the Company is being wound up, be varied with the sanction of a Special Resolution passed at a general meeting of the holders of Shares of that Class. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of a Class of Shares.
- (b) Upon the creation of any new Class of Shares or alteration of the rights of existing Class of Shares (being ordinary shares), the Company shall amend the Memorandum and/or these Articles to state the rights and obligations of such Classes of Shares into these Articles.
18. 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 varied by the creation, allotment or issue of further Shares ranking *pari passu* therewith or subsequent to them or by the redemption or purchase of Shares of any Class by the Company.

## TRANSMISSION OF SHARES

19. In case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognized by the Company as having any title to the deceased Member's interest in the Shares, but nothing herein contained

shall release the estate of any such deceased holder from any liability in respect of any Shares which had been held by him/her solely or jointly with other persons.

20. (a) Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way other than by transfer) may, upon such evidence being produced as may from time to time be required by the Board and subject as hereinafter provided, elect either to be registered himself/herself/itself as holder of the Share or to make such transfer of the Share to such other person nominated by him/her/it as the deceased or bankrupt person could have made and to have such person registered as the transferee thereof, but the Board shall, in either case, have the same right to decline or, in accordance with Article 24, suspend, registration of the transfer as it would have had in the case of a transfer of the Share by that Member before his/her death or bankruptcy as the case may be.
- (b) If the person so becoming entitled shall elect to be registered himself/herself/itself as holder he/she/it shall deliver or send to the Company a notice in writing signed by him/her/it stating that he/she/it elects to be so registered.
21. A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same dividends and other advantages to which he/she/it would be entitled if he/she/it were the registered holder of the Share, except that he/she/it shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by the Shares in relation to meetings of the Company PROVIDED HOWEVER that the Board may at any time give notice requiring any such person to elect either to be registered himself/herself/itself or to transfer the Share and if the notice is not complied with within ninety (90) days after the notice is deemed to be received by the relevant person in accordance with these Articles the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.
22. (a) The Company shall be entitled to treat the registered holder of any Share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.
- (b) No person shall be entitled to recognition by the Company as holding any Share upon any trust and the Company shall not be bound by, or be compelled in any way to recognise, (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety of the share in the holder.

#### **ALTERATION OF CAPITAL & CHANGE OF LOCATION OF REGISTERED OFFICE**

23. (a) Subject to and in so far as permitted by the provisions of the Statute, the Company may from time to time by Ordinary Resolution:
- (i) increase its share capital by the creation of new Shares of such amount, to be divided into Shares of such Class or Classes and of such amounts in such currency as the resolution shall prescribe;
  - (ii) consolidate and divide all or any of its share capital into Shares of larger or smaller amount than its existing Shares;
  - (iii) divide its unissued Shares into several Classes and (without prejudice to any special rights previously conferred on the holders of existing Shares) attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
  - (iv) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Memorandum of Association;
  - (v) cancel any shares which at the date of the passing 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;

(vi) make provision for the allotment and issue of Shares which do not carry any voting rights; and

(vii) change the currency of denomination of its share capital.

PROVIDED THAT notwithstanding the foregoing, for so long as the Shares are listed on any ROC Securities Exchange, the currency of denomination of the share capital of the Company shall be New Taiwan Dollar (NTD) and the par value of each Share shall be NTD10.

(b) The Company may from time to time, by Special Resolution and subject to compliance with the provisions of the Statute, reduce its share capital or share premium account or capital redemption reserve or other undistributed reserve in any manner permitted by law.

(c) On any consolidation or division of fully paid Shares into Shares under paragraph (a) of this Article, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would have been entitled to the fraction or fractions of a Share or Shares ratably in accordance with their rights and interest or may be paid to the Company for the Company's benefit;

(d) Subject to the provisions of the Statute, the Company may by resolution of the Board change the location of its registered office.

#### **CLOSURE OF REGISTER OF MEMBER AND RECORD DATE**

24. For purpose of determining Members entitled to receive notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination as to the Members of the Company for any other proper purpose, the Board may determine that the Register of Members shall be closed for transfers for any period. So long as the Shares are listed on any ROC Securities Exchange, the Register of Members may only be closed in accordance with Applicable Public Company Rules.

25. To the extent required by Applicable Public Company Rules, in lieu of or apart from closing the Register of Members, the Board may fix in advance one or more dates as the record dates for determining the Members entitled to receive notice of or to vote at a meeting of the Members, or for the purpose of determining the Members entitled to receive payment of any dividend.

#### **GENERAL MEETING**

26. The Company may in each year hold a general meeting as its annual general meeting, PROVIDED HOWEVER THAT, for so long as the Shares are listed on any ROC Securities Exchange, an annual general meeting shall be held within six (6) months following the end of each fiscal year of the Company and it shall be specified as such meeting in the notice convening the same. Unless otherwise provided in these Articles, all general meetings shall be convened by the Board. For so long as the Shares are listed on any ROC Securities Exchange, the Board or anyone who has authority to convene a general meeting may request the Company or the professional securities agent licensed in Taiwan engaged by the Company to provide the list of Members entitled to vote at such general meeting.

27. The general meetings shall be held at such time and place as the Board shall determine provided that unless otherwise provided by the Statute and unless otherwise determined by the Board, all general meetings shall be held in Taiwan. So long as the Shares are listed on any ROC Securities Exchange, if the Board resolves to hold a general meeting outside Taiwan, the Company shall apply for the approval of the applicable ROC Securities Exchange within two (2)

days after the Board passes such resolution. Where a general meeting is to be held outside Taiwan, so long as the Shares are listed on any ROC Securities Exchange, the Company shall engage a professional securities agent licensed in Taiwan to be present at the such general meeting and to handle the administration of such general meeting, including without limitation, the handling of the voting of proxies submitted by Members.

28. General meetings other than annual general meetings shall be called extraordinary general meetings. The Board may convene an extraordinary general meeting of the Company whenever they determine that such a meeting is necessary in their absolute discretion.
29.
  - (a) The Board shall, upon a Members' requisition, forthwith proceed to convene an extraordinary general meeting of the Company. For the purpose of these Articles, a "Members' requisition" is a requisition of one or more Member(s) of the Company holding in the aggregate at the date of deposit of the requisition not less than three percent (3%) of the total number of issued Shares at the time of requisition and whose Shares shall have been held continuously by such Member(s) for at least one (1) year.
  - (b) One or more Member(s) of the Company holding in the aggregate more than half of the total number of issued Shares and whose Shares shall have been held continuously by such Member(s) for at least three (3) months, may convene an extraordinary general meeting of the Company. The holding period and the respective numbers of Shares held by such Members shall be determined as of the first day of the closure period of the Register of Members as required in Article 24.
  - (c) In the event the Board fails or becomes unable to convene a general meeting, the Audit Committee, acting in the best interests of the Company and based on its determination of necessity, may convene a general meeting.
30. The requisition from the Member(s) must be in writing and shall express the purpose of the extraordinary general meeting to be requisitioned and must be signed by the requisitioner(s) and deposited at the Registered Office. The requisition may consist of several documents in like form, each signed by one or more requisitionists.
31. If the Board does not within fifteen (15) days from the date of deposit of the requisition despatch the notice to convene an extraordinary general meeting, the requisitioner(s) may themselves convene the extraordinary general meeting. An extraordinary general meeting convened as aforesaid by requisitioner(s) shall be convened and held in the same manner as nearly as possible in which general meetings are convened and held by the Board.
32.
  - (a) Subject to the Statute and without prejudice to other provisions of these Articles as regards the matters to be dealt with by Special Resolution, the Company may from time to time by Special Resolution:
    - (i) change its name;
    - (ii) alter or add to these Articles;
    - (iii) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein;
    - (iv) issue securities, including options, warrants and convertible bonds, where such issuance will be pursuant to a statutory private placement to qualified investors in Taiwan in accordance with Applicable Public Company Rules; or
    - (v) issue employee stock warrants that are not subject to any exercise price restriction in accordance with Applicable Public Company Rules.
  - (b) Subject to the Statute, the Company may, by a Special Resolution, effect a Merger or a Consolidation of the Company in accordance with the Statute.
  - (c) The Company may, by a resolution passed by Members representing two-thirds or more of the total issued Shares of the Company voting as a single class at a general meeting, participate in a Spin-off, a transfer of all of the Company's assets and liabilities, or any scheme of arrangement pursuant to which all issued Shares will be exchanged or converted into shares in another company (each a "Reorganising Transaction"), resulting in the Company's mandatory de-listing from the applicable ROC Securities Exchange, and



the company emerging from the completion of such Reorganising Transaction vested with all assets and liabilities of the Company, whether newly incorporated or continually existed, is not listed in any ROC Securities Exchange.

33. Subject to the Statute and Article 32(b), the Company may from time to time by Supermajority Resolution:
- (a) resolve that any particular declared dividend be satisfied in part by the issuance of new Shares credited as fully paid to the Members pursuant to Article 103;
  - (b) effect any capitalisation of any other amount pursuant to Article 105 hereof;
  - (c) effect any Spin-off of the Company;
  - (d) enter into, amend, or terminate any agreement for lease of the Company's whole business, or for delegation of the operation, or for frequent joint operation with others;
  - (e) transfer all or a material part of its business or assets;
  - (f) acquire or assume all businesses or assets of another person which will have a material effect on the Company's business operation; or
  - (g) effect any Share Swap.
34. Subject to the Statute, the Company may by Special Resolution resolve to wind up the Company voluntarily or by Ordinary Resolution resolve to wind up the Company voluntarily because the Company is unable to pay its debt as they fall due.

#### **NOTICE OF GENERAL MEETINGS**

35. For so long as the Shares are listed on any ROC Securities Exchange, at least thirty (30) days' notice of an annual general meeting shall be given to each Member, stating the date, place and time at which the meeting is to be held and the general nature of business to be conducted at the meeting. For so long as the Shares are listed on any ROC Securities Exchange, at least fifteen (15) days' notice of an extraordinary general meeting shall be given to each Member, stating the date, place and time at which the meeting is to be held and the general nature of the business to be considered at the meeting. All notices convening general meetings of the Company shall be exclusive of the day on which it is given or deemed to be given and the day for which it is served.
36. A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by all the Members having the right to attend and vote at an annual general meeting or an extraordinary general meeting (as the case may be).
37. So long as the Shares are listed on any ROC Securities Exchange, the Company shall send materials as required by the Applicable Public Company Rules (including written ballots if the Members may exercise their votes by means of written ballots at general meetings) relating to the matters to be discussed in each meeting together with the notice convening the general meeting in accordance with Article 35 hereof and shall transmit the same via the Market Observation Post System. The Board shall prepare a meeting handbook for the relevant general meeting and supplemental materials in accordance with the Applicable Public Company Rules, which will be sent to or made available to all Members and shall be transmitted to the Market Observation Post System in accordance with Applicable Public Company Rules, at least twenty-one (21) days prior to the date of the annual general meeting, and at least fifteen (15) days prior to the date of an extraordinary general meeting.
38. In the event that any of the following matters is to be considered at a general meeting, the notice of the general meeting shall contain a summary of the material issues to be discussed in respect of these matters, and for so long as the Shares are listed on any ROC Securities Exchange, the summary may be published on the website designated by FSC or the Company,

and the direct web-link containing such summary shall be specified in the notice of the general meeting:

- (a) election or removal of Directors;
- (b) alteration of the Memorandum and/or these Articles; and
- (c) (i) dissolution, Merger, Consolidation, Share Swap or Spin-off, (ii) the entry into, any changes to or termination of any contract for lease of the Company's whole business, entrusted business or frequent joint venture of the Company with others, (iii) transfer of the whole or any material part of the business or assets of the Company, (iv) acceptance of the transfer of the whole business or assets from another person which will have a material effect on the business operation of the Company;
- (d) ratification of an action of Director(s) who is/ are engaged in business for him/herself or on behalf of another person, such business being within the scope of the business of the Company;
- (e) payment of dividends to Members to be satisfied in whole or in part by way of issuance of new Shares;
- (f) capitalization of the Company's share premium account and/or a distributable reserve of the Company (including any contributed surplus account which are distributable) subject to the Statute and these Articles in the form of an allotment and issue of new Shares credited as fully paid to Members on a pro-rata basis based on their respective shareholding in the Company;
- (g) private placement of any equity securities to be issued by the Company;
- (h) reduction of share capital;
- (i) application with FSC for termination of the "public company" status registration under the Applicable Public Company Rules; and
- (j) issue employee stock warrants that are not subject to any exercise price restriction under the Applicable Public Company Rules.

The matters set out in Article 38(a) to Article 38(j) (inclusive) and Article 16 (a) shall not be raised as an ad hoc motion at any general meeting of the Company.

- 39. So long as the Shares are listed on any ROC Securities Exchange, the Board shall keep printed copies of the Memorandum, these Articles, minutes of general meetings, financial statements, the branch Register of Members in Taiwan, and the counterfoil of any corporate bonds issued by the Company at the office of the Company's branch share registrar in Taiwan and the Company's securities agent located in Taiwan unless electronic copies of the aforementioned documents may be kept pursuant to the Applicable Public Company Rules. From time to time, by submitting document(s) evidencing his/her interests involved and indicating the designated scope of the inspection, the Members may inspect, review or make copies of the aforementioned documents, and the Company shall instruct its Taiwan-licensed securities agent to provide copies of such documents.
- 40. So long as the Shares are listed on any ROC Securities Exchange, the Company shall make copies of all statements and records prepared by the Board and the report prepared by the Independent Directors available at the office of its branch share registrar and its securities agent located in Taiwan in accordance with Applicable Public Company Rules. Members may, at their own expenses, inspect, review or copy the aforementioned documents from time to time and such Members may be accompanied by their advisors, attorneys or certified public accountants for the purpose of such inspection and review.

#### **PROCEEDINGS AT GENERAL MEETINGS**

- 41. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business and is maintained throughout the meeting. Unless otherwise provided for in these Articles, two or more Members present in

person and representing in person or by proxy, more than one-half of the total issued Shares, shall constitute a quorum for any general meeting.

42. So long as the Shares are or listed on any ROC Securities Exchange, the Company shall comply with the relevant Applicable Public Company Rules whereby following the end of each fiscal year of the Company, the Board shall table at an annual general meeting of the Company, business reports, financial statements and the Board's proposals for allocation and distribution of profits or losses for approval or ratification (as the case may be) by the Members as required by the Applicable Public Company Rules. In accordance with the Applicable Public Company Rules, the Board shall, after approval or ratification by the Members at the annual general meeting, distribute or make public announcement on the Market Observation Post System to each Member copies of the approved or ratified financial statements, reports and proposals together with the Company's resolutions which approved or ratified the allocation and distribution of profits or loss.
43. A resolution put to the vote of the meeting shall be decided on a poll. No resolution put to the vote of the meeting shall be decided by a show of hands.
44. Subject to all applicable laws, nothing in these Articles shall prevent any Member from initiating proceedings in a court of competent jurisdiction for an appropriate remedy in connection with improper convening of any general meeting or improper passing of any resolution. The Taipei District Court, ROC, may be the court of first instance for adjudicating any disputes arising out of the foregoing.
45. Unless otherwise expressly required by the Statute, the Memorandum or these Articles, any matter presented for resolution, approval, confirmation or adoption by the Members at any general meeting may be passed by an Ordinary Resolution.
46. Provided that the Shares are not listed on any ROC Securities Exchange,
  - (a) 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 corporations by their duly authorised 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; and
  - (b) any such resolution in writing shall be deemed to have been passed at a general meeting held on the date on which it was signed by the last person to sign, and where the resolution states a date as being the date of his signature thereof by any Member the statement shall be prima facie evidence that it was signed by him on that date.
47. So long as the Shares are listed on any ROC Securities Exchange, one or more Members holding one percent (1%) or more of the total issued Shares immediately prior to the relevant period during which the Register of Members is closed for transfers, may in writing or electronically submit to the Company a resolution for consideration and, if appropriate, approval at an annual general meeting; nothing in these Articles shall be construed to compel the Board to reject any proposal relating to the improvement of the Company's corporate social responsibility or public interests. Such proposals shall not be included in the agenda if:
  - (a) the proposing Member(s) hold(s) less than one percent (1%) of the total issued Shares as at the relevant date in accordance with this Article;
  - (b) the matter proposed to be discussed may not be resolved at an annual general meeting;
  - (c) the proposing Member has made more than three hundred (300) words proposal for consideration or more than one proposal for consideration at the same annual general meeting; or
  - (d) the proposal is received by the Company after the dispatch of the notice of the annual general meeting.
48. The chairman of the Board (if any) shall preside as chairman at every general meeting of the Company, or if there is no such chairman, or if he/she shall not be present within fifteen (15) minutes after the time appointed for the holding of the meeting, or is unwilling to act, the

Directors present shall elect one of their number to be chairman of the general meeting. If at any general meeting no Director is willing to act as chairman or if no Director is present within fifteen (15) minutes after the time appointed for the holding the meeting, the Members present shall choose one of their number to be chairman of the general meeting.

49. (a) Unless otherwise expressly provided herein, if a quorum is not present by the time appointed for the general meeting, the chairman may adjourn the commencement of the general meeting to a later time, but no more than one (1) hour in all circumstances. If the commencement of the general meeting has been adjourned twice and a quorum is still not present, then the general meeting shall be adjourned to such other day and at such other time and place as the Board may determine. The Board (or the Secretary duly authorised by the Board) may adjourn any general meeting called in accordance with the provisions of these Articles (other than a meeting requisitioned under these Articles) provided that notice of adjournment is given to each Member. The Board may determine the date, time and place for the adjourned meeting as it deems appropriate and shall give fresh notice of the date, time and place for the adjourned meeting to each Member in accordance with the provisions of these Articles, PROVIDED THAT for so long as the Shares are listed on any ROC Securities Exchange, such adjournment shall also comply with the Applicable Public Company Rules.
- (b) The chairman may, with the consent of any general meeting duly constituted hereunder, and shall if so directed by the general meeting, adjourn the general meeting from time to time and from place to place as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place. No notice of an adjournment or of the business to be transacted at any adjourned meeting needs to be given nor shall any Member be entitled to any such notice.

#### **VOTES OF MEMBERS**

50. (a) Subject to the Statute, these Articles, and any rights or restrictions for the time being attached to any Class or Classes of Shares, every Member who is present at a general meeting, either in person (or in the case of a Member being a corporation, by its authorised representative) or by proxy, shall have one vote for every Share of which he/she/it is the holder.
- (b) So long as the Shares are listed on any ROC Securities Exchange, if a Member holding more than one Share does not cast all his votes in the same way, such Member must do so in accordance with the Applicable Public Company Rules.
51. Votes may be cast either personally or by proxy. A Member may appoint only one proxy and only under one instrument to attend and vote at each meeting. The instrument appointing a proxy shall be deposited at the Registered Office or the office of the Company's FSC-recognised shareholders' service agent (as the term is defined under the Applicable Public Company Rules) in the ROC or at such other place as is specified for that purpose in the notice convening the general meeting, or in any instrument appointing a proxy sent out by the Company not less than five days before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. Where more than one instrument to appoint a proxy are received from the same Member by the Company, the first instrument received shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous proxy in the later-received instrument.
52. (a) Subject to the Statute and all applicable law, the Board may determine that Members not attending and voting at a general meeting in person or by proxy may exercise their voting right either by means of a written ballot or by means of electronic transmission. For the avoidance of doubt, Members voting in the manner mentioned above shall, for purposes of these Articles and the Statute, be deemed to have appointed the FSC-recognised shareholders' service agent (as the term is defined under the Applicable Public Company Rules) which has been engaged by the Company at the date of the notice convening the general meeting, or the chairman of the general meeting if no such agent is engaged, as their proxy to vote their shares at the general meeting in the manner directed by the written ballot or electronic transmission. If the shareholders' service agent (or the chairman, as the case may be) does not vote in the manner directed by the written ballots or the electronic

transmissions, then such proxy votes shall not be regarded as valid votes cast.

- (b) The shareholders' service agent (or the chairman, as the case may be), as proxy, shall not have the power to exercise the voting rights of such Members with respect to any matters not specifically indicated in the written ballot or electronic transmission and/or with respect to any amendment to resolution(s) proposed at the general meeting. Subject to the Statute and all applicable law, a Member who exercises his/her/its voting right at a general meeting by means of a written ballot or of electronic transmission shall be deemed present by proxy at such general meeting, but any Member voting in such manner shall not be entitled to notice of, and the right to vote in regard to, any ad hoc motion or amendment to the items set out in the notice convening the general meeting to be resolved at the said general meeting. Subject to the Statute and all applicable law, for the purposes of clarification, all Members voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc motion or amendment to the items set out in the notice convening the general meeting to be resolved at the said general meeting.
- (c) In the event that a Member exercises his/her/its voting power by means of a written ballot or by means of electronic transmission and has also authorised a proxy to attend a general meeting, then the voting power exercised by the proxy at the general meeting shall prevail.
53. Subject to the Statute and all applicable law, in the event any Member who has exercised his/her/its voting rights by means of a written ballot or by means of electronic transmission (as applicable) pursuant to Article 52 intends to attend the general meeting physically in person or by authorised representative if the Member is a corporation, he/she/it shall, at least two (2) days prior to the commencement of the general meeting, deposit at the Registered Office or at the office of the securities agent engaged by the Company in the ROC so long as the Shares are listed on any ROC Securities Exchange, or at such other place as is specified in the notice convening the meeting a separate notice to rescind and revoke his/her/its votes cast by way of such written ballot or electronic transmission (as applicable) (for the purposes of this Article only, the "**Previous Voting**"), failing which, the Member shall be deemed to have waived his/her/its right to attend and vote at the relevant general meeting in person, the deemed appointment of the shareholders' service agent (or the chairman of the general meeting, as the case may be) by the Members as the proxy and Previous Voting shall remain valid and the Company shall not count any votes cast by such Member physically at the relevant general meeting. Subject to the Statute and all applicable law, votes by means of written ballot or electronic transmission shall be valid unless the relevant Member revokes the Previous Voting before the prescribed time.
54. In the case of joint holders of Shares, such joint holders shall appoint a representative among them to exercise the votes of their Shares and shall notify the Company of such appointment. If no such representative is appointed by such joint holders of record, then the vote of the senior who tenders a vote, whether in person (or in case of a corporation, by authorised representative) or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
55. (a) No Member shall be entitled to vote at any general meeting unless he/she/it is registered as a Member of the Company on the record date for such general meeting. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee receiver, curator bonis or other persons may, subject to all applicable laws, vote by proxy in accordance with these Articles.
- (b) Subject to the Statutes, so long as the Shares are listed in any ROC Securities Exchange, when a Director pledges more than one-half of the Shares which he/she/it held at the moment when he/she/it was elected as a Director, such Director shall refrain from exercising the votes with respect to the Shares pledged exceeding the one-half threshold, and the votes of the Shares pledged exceeding the one-half threshold shall not be counted in the total number of votes of Member present at the meeting and such Shares may not be counted in determining the quorum of the general meeting.

## SHARES WHICH ARE NOT ENTITLED TO VOTE

56. Shares set out below shall not be voted at any general meeting and shall not be counted into the total number of issued Shares for determining the quorum of the general meeting:
- (a) Shares that are directly or indirectly owned by the Company;
  - (b) Shares that are owned by its Subsidiary, one-half or more of the total number of issued voting shares or paid-up capital of that Subsidiary is directly or indirectly owned by the Company; and
  - (c) Shares that are owned by a company, one-half or more of the total number of issued voting shares or paid-up capital of such a company is directly or indirectly owned by the Company, its Subsidiaries or the holding company(ies) to which the Company is a Subsidiary.
57. So long as the Shares are listed on any ROC Securities Exchange, if a Member who has a personal interest in respect of any matter proposed for consideration and, if appropriate, approval at a general meeting, and such interest is in conflict with and may harm the interests of the Company, such Member shall abstain from voting in respect of all his/her/its Shares which such Member would otherwise be entitled to vote in person or by proxy (or by corporate representative, if such Member is a corporation) with respect to the said matter, and the votes cast in respect of the Shares held by such Members shall not be counted, but such Members and their Shares may be counted in determining the quorum of the general meeting. The aforementioned Member shall also not vote on behalf of any other Member with respect to that same matter.

#### **DISSENTING MEMBERS' APPRAISAL RIGHT**

58. (a) In the event any of the following resolutions is passed at a general meeting, any Member who has notified the Company in writing of his objection to such a resolution prior to the date of the relevant general meeting and has raised again his/her/its objection at the general meeting, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value:
- (a) a resolution approving the Company acquiring shares, business or assets of another company in exchange for shares, cash or other assets from the Company under the Applicable Public Company Rules ("**Acquisition**"), or a resolution approving Share Swap;
  - (b) a resolution approving the entry into by the Company, any amendments to or termination of any lease of all of the Company's business, delegation of the operation or frequent joint operation (which expression shall have the meaning ascribed to them in the Applicable Public Company Rules) of the Company with others;
  - (c) a resolution approving the transfer by the Company of all or a material part of its business or assets, provided that this shall not apply where such transfer is to be made pursuant to the dissolution of the Company; or
  - (d) a resolution approving the acquisition by the Company of all of the business or assets from another person, which will have a material effect on the Company's business operations.
59. (a) Subject to compliance with the Statute, in the event of a Spin-off of any part of the Company's business or if the Company is involved in any Merger or Consolidation with any other company, any Member who has abstained from voting on such matter (or had voted against such matter) and has expressed his/her/its dissent thereof in writing before (in the case of a Merger or Consolidation) or during the relevant general meeting at which such matter is considered and approved, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value.
- (b) Any Shareholder who makes a request under Article 58 or paragraph (a) of this Article shall make it in writing within 20 days from the date the resolution of the general meeting was made and shall specify the price for buying back. If the Company and such Shareholder reach an agreement as to the buy back price, the Company shall pay for the Shares within 90 days from the date the resolution of the general meeting was made. In the absence of agreement, the Company shall pay the fair value it has determined to the dissenting Shareholder within 90 days since the date the resolution of the general meeting was made. If the Company does not

make such payment, the Company shall be deemed to have agreed to the price proposed by such Shareholder.

(c) In the event Shareholders request the Company to buy back all of their Shares according to paragraph (a) of Article 58 and paragraph (a) of this Article and Shareholders and the Company cannot reach agreements about the purchase price within 60 days since the date of the resolution of the general meeting was made, the Company shall apply to the court for a ruling on the fair value in respect of all dissenting Shareholders within 30 days after that 60-day duration has expired, and the Taipei District Court, ROC, may be the court of first instance for this matter.

## PROXIES AND SOLICITATION OF PROXIES

60. Unless otherwise provided in these Articles, the instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his/her attorney duly authorised in writing, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised in that behalf. A Member shall serve such instrument of proxy to the Company no later than five (5) days prior to the date of the general meeting. In case two or more instruments of proxy are received from one Member, the first one received by the Company shall prevail; unless such Member explicitly revoke the previous instrument of proxy in the subsequent instrument of proxy. A proxy need not be a Member of the Company. Unless otherwise provided in these Articles, the instrument appointing a proxy shall be deposited at the Registered Office, or, at the office of the securities agent engaged by the Company in the ROC so long as the Shares are listed on any ROC Securities Exchange, or at such other place, in such manner as is specified in the notice convening the meeting.
61. (a) Subject to the Applicable Public Company Rules, except for (i) trust enterprises organized under the laws of the ROC, (ii) a shareholders' service agent (as the term is defined under the Applicable Public Company Rules) recognised by the FSC or (iii) a shareholders' service agent (or the chairman of the general meeting) who is deemed appointed as proxy under Article 52 of these Articles, in the event a person has been appointed as the proxy for two or more Members, the sum of Shares entitled to vote as represented by such proxy shall be no more than three percent (3%) of the total issued Shares immediately prior to the relevant date of closure of the Register of Members for purposes of determining Members entitled to vote at the general meeting; any vote in respect of the portion in excess of such three percent threshold shall not be counted.
- (b) Unless otherwise provided in these Articles, the instrument appointing a proxy shall be in the form approved by the Company and be expressed to be for a particular meeting and the adjourned meeting(s) thereof. The form of proxy shall include at least the following information: (a) instructions on how to complete the form, (b) the matters to be voted upon by the proxy, and (c) basic identification information relating to the relevant Member appointing the proxy, his/her/its proxy and the Solicitor (if any). The form of proxy shall be provided to the Members together with the notice for the relevant general meeting, and such notice and proxy materials shall be distributed to all Members on the same day.
- (c) In the event any Member who has served the Company with a proxy instrument intends to attend general meetings in person or exercise his/her/its voting power by means of written ballots or electronic transmissions, he/she/it shall, at least two days prior to the general meeting, serve a separate declaration of intention to revoke his/her/its appointment of proxy. Votes cast by proxy shall be valid if the relevant Member fails to revoke the appointment of proxy before the time prescribed by the Applicable Public Company Rules.
- (d) Unless otherwise provided in these Articles, so long as the Shares are listed on an ROC Securities Exchange, all matters concerning proxies and/or the solicitation of instruments of proxies by a Solicitor relating to the Shares shall comply with these Articles and ROC's *Rules Governing the Use of Proxies for Attendance at Member Meetings of Public Companies* and all other applicable laws and regulations, including but without limitation, the Applicable Public Company Rules, for the time being whether or not expressly provided for in these Articles.

## DIRECTORS

62. There shall be a Board consisting of not less than seven (7) Directors and no more than nine (9) Directors, each of whom shall be appointed to a term of office of three (3) years. The exact number of the Directors may be fixed from time to time by the Board within the aforementioned range. Retiring Directors may be eligible for re-election. The initial Directors of the Company shall be elected or appointed in writing by, or appointed by a resolution of, the subscribers of the Memorandum or a majority of them.
63. So long as the Shares are listed on any ROC Securities Exchange, unless otherwise approved by one of the ROC Securities Exchanges on which the Company's Shares are traded, no more than half of the total number of Directors can have a spousal relationship or family relationship within the second degree of kinship (as defined in the Applicable Public Company Rules) with any other Directors.
64. In the event that the Company convenes and holds a general meeting for the election of Directors and any of the Directors elected does not meet the requirements provided in Article 63 hereof, the non-qualifying Director(s) who was elected with the least number of votes shall be deemed to have vacated his/her/its office of Director, to the extent necessary to meet the requirements provided for in Article 63 hereof. Any person who is currently a Director but is in violation of the aforementioned requirements in Article 63 shall immediately upon being aware, or being made aware, of his violation of Article 63 vacate his/her/its office of Director.
65. So long as the Shares are listed on any ROC Securities Exchange, unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three (3) Independent Directors, and the total number of Independent Directors shall not be less than one-fifth of the total number of Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the ROC and at least one of the same shall have accounting or financial expertise.
66. Independent Directors shall have professional knowledge and shall maintain independence within the scope of their duties as Independent Directors of the Company, and shall not have any direct or indirect interests in the Company. The professional qualifications, restrictions on shareholdings, restrictions as to concurrent positions or engagements and assessment of independence with respect to Independent Directors shall be governed by the Applicable Public Company Rules.
67. The Board may determine the remuneration (including any bonus) paid to the Directors (including the Independent Directors), upon the recommendation by the Remuneration Committee so long as the Shares are listed on any ROC Securities Exchanges. Factors which shall be considered when determining the remuneration paid to each Director shall include, without limitation, the extent and value of the services provided for the management of the Company, the operating performance of the Company, and the industry-wide compensation levels and practices. The Directors shall also be entitled to be paid their travel, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Board, or any committee of the Board, 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.
68. A Director (other than an Independent Director) may hold any other office or place of profit with the Company in conjunction with his office of Director. However, such Director is required to disclose and explain his proposed appointment to such other office or place of profit, and the nature and extent of his interests to the Members at a general meeting, and is required to obtain prior approval from the Members by a Supermajority Resolution at the general meeting.
69. Where a government agency or an incorporated entity is a Member, and such government agency or entity has been elected to the Board, it shall appoint an individual as its duly authorised representative for the purpose of representing it at meetings of the Board or with respect to signing of consents or otherwise. Such representative may be replaced at any time and from time to time by the said government agency or incorporated entity at its sole discretion.

## ELECTION AND REMOVAL OF DIRECTORS



70. The election of Directors (including Independent Directors) shall adopt the candidate nomination mechanism which is in compliance with the Applicable Public Company Rules. The Members shall respectively elect the Independent Directors and Directors (other than Independent Directors) from separate list of candidates.
71. (a) Directors (including Independent Directors) shall be elected pursuant to a cumulative voting mechanism pursuant to a poll vote, where the total number of votes exercisable by any Member shall be the product of the number of Shares held by such Member and the number of Directors to be elected ("**Special Ballot Votes**"), and the total number of Special Ballot Votes cast by any Member may, at the sole discretion of the Member, be consolidated for election of one candidate for directorship or may be split for the election of several candidates for directorship, as specified in the voting paper by the relevant Member. The candidates who receive the most votes from the Members pursuant to this Article shall be elected as Directors.
- (b) Prior to any election or appointment of a Director pursuant to these Articles, such candidate of Director shall deliver a written confirmation to the Company indicating his/her willingness to serve as a Director if he/she is elected or appointed. Within fifteen (15) days after the election of Directors, an elected Director shall execute and deliver a letter of consent to the Company, the form of which shall be prescribed by the Company, notifying his/her acceptance of serving as a Director of the Company and of observing duties which may be set forth in such letter of consent.
- (c) Directors shall hold office only until the general meeting at which such Director is required by the Applicable Public Company Rules to retire and seek re-election.
72. If the number of Independent Directors is less than or falls below three (3) due to vacation of office of such Independent Directors for any reason, the Company shall elect new Independent Directors at the next following general meeting. If the office of all of the Independent Directors have become vacant, the Board shall convene, within sixty (60) days of vacancy of the last Independent Director, a general meeting of Members to elect new Independent Directors to fill the vacancies.
73. If the number of Directors is less than or falls below seven (7) for any reason, the Company shall elect new Director(s) at the next following general meeting. When the number of vacancies in the Board is equal to or more than one third of the maximum size of the Board as set out in Article 62 above, the remaining Directors shall convene, within the next sixty (60) days therefrom, a general meeting of Members to elect new Directors to fill in the vacancies.
74. The Company may from time to time by Supermajority Resolution remove any Director from his/her office, whether or not appointing another in his/her stead.
75. Subject to all applicable laws, where a Director has, in the course of performing his/her duties, committed any act resulting in material damage to the Company or committed a violation of applicable laws, regulations, and/or these Articles, and a Supermajority Resolution at a general meeting to approve his/her removal was put forth but failed to pass, any one or more Members holding three percent (3%) or more of the total issued Shares may, within thirty (30) days after the said general meeting, institute a legal proceeding in a court of competent jurisdiction for an order to remove such Director provided that such Member(s) hold three percent (3%) or more of the total issued Shares as at the date of the institution of such legal proceedings to remove such Director. The Taipei District Court, ROC, may be the court of first instance for this matter. The office of such Director shall ipso facto be vacated with effect from the date such order of court is obtained.

#### **DIRECTOR'S PROXY**

76. If a Director is unable to attend a meeting of the Board because of absence from Taiwan, illness or otherwise, such Director may appoint another Director as his proxy to attend and to vote on his behalf at the meeting, in which event the presence and vote of the proxy shall be deemed to be that of the Director. The appointing Director shall, in each instance, issue a written proxy and state therein the manner in which his proxy is to vote in respect of the business to be discussed at that meeting, and such written proxy shall be lodged with the

Board at the Registered Office or at such other place as is specified in the notice convening the Board meeting at any time before that meeting. A Director may only act as the proxy of one Director.

77. A Director residing in a foreign country other than ROC may appoint in writing a Member residing in ROC as his/her proxy to attend the meeting of the Board on a regular basis, provided that the relevant Taiwan authority is notified of and approves such appointment of the proxy (or the change thereof).

## POWERS AND DUTIES OF DIRECTORS

78. (a) Subject to the Applicable Public Company Rules, the Board shall manage and conduct the business of the Company in compliance with applicable laws and generally accepted rules of commercial ethics, and may adopt any measure which may improve performance of the Company's corporate social responsibility or public interests. The Board may pay all expenses incurred in promoting, registering and setting up the Company, and may exercise all such powers of the Company as are not, for the time being, by the Statute, these Articles, any applicable regulations or by any resolutions passed by the Company in general meeting, required to be exercised by the Company in general meeting.
- (b) Subject to the Statute, any Director shall owe fiduciary duties to the Company and such fiduciary obligations shall include but not limited to the observance of general standards of loyalty, good faith and the avoidance of a conflict of duty and interest. If any Director breached the aforesaid fiduciary duties, subject to the Cayman Islands law, such Director shall be held liable for any damages therefrom. Subject to the Statute, the Members may by way of an Ordinary Resolution request a Director to disgorge the gains from his breach of the duty of loyalty and the duty to exercise fiduciary cares.
- (c) If a Director, during his conduct of the business of the Company, caused damages to other third parties by violating applicable laws, such Directors shall, subject to all applicable laws, be jointly liable to such damaged third parties.
- (d) In the event of a Merger, Consolidation, Acquisition or Spin-off (collectively, "**M&A Transaction**"), the Board of Directors shall, in the course of conducting the M&A Transaction, in the best interest of the Company, fulfill its duty of care. Subject to the Statute, any Director involved in the decision-making for an M&A Transaction shall be liable for any damage to the Company as a result of the Board's breach of the Applicable Public Company Rules, these Articles or the resolution of the general meeting approving the M&A Transaction; provided, however, that upon producing sufficient evidence of minutes or written statement concerning his/her/its disagreement, the Director may be exempted from the liability.
79. The Board may from time to time and at any time by powers of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as the Board may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorneys as the Board may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him/her.
80. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Board shall from time to time by resolution determine.
81. The Board shall cause minutes to be duly entered in books provided for the purpose of:
- (a) all appointments of officers made by the Board;
- (b) the names of the Directors (including those represented thereat by proxy) present at each meeting of the Board and of any committee of the Board;

- (c) all resolutions and proceedings at all meetings of the Company and of the Board and of committees of the Board.
82. Subject to all applicable laws, the Applicable Public Company Rules, these Articles, and any internal regulation governing the lending of capital, endorsement, guarantees, and acquisition and disposition of assets which may be adopted by the Company by an Ordinary Resolution at general meetings, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party, and to stand surety for or to guarantee, support or secure the performance of all or any of the obligations of any person, firm or company whether or not related or affiliated to the Company in any manner.

### **MANAGEMENT**

83. Subject to all applicable laws and these Articles, the Board may from time to time manage the affairs of the Company in such manner as they shall think fit.

### **PROCEEDINGS OF DIRECTORS**

84. Unanimous written resolutions signed by all Directors shall have the same effect as if such resolutions were passed at duly convened meetings of the Board, and all such resolutions shall be described as "Written Directors' Resolutions" and shall be recorded in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one or more Directors. However, so long as the Shares are listed on any ROC Securities Exchanges, the Board must meet together for the despatch of business. The Board may convene, adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise provided in these Articles, a resolution put to the vote at any meeting of the Board shall be decided by a majority of votes of the Directors present at that Board meeting at which there is a quorum. In case of an equality of votes, the resolution shall fail.
85. (a) Subject to paragraph (b) of this Article, meetings of the Board may be summoned in accordance with such rules and procedures for meetings of the Board as may be adopted from time to time by the Board.
- (b) A meeting of the Board shall be summoned by at least seven (7) days' notice in writing to all Directors, and the notice shall set forth the general nature of the business to be considered. However, a meeting of the Board may be summoned at any time if there is any emergency, provided that notice is waived by all the Directors either at, before or after the meeting is held. If notice of a meeting of the Board is given in person, by cable, telex, facsimile, or electronic messages, the same shall be deemed to have been given on the day it is delivered, sent or transmitted to each of the Directors.
86. (a) A Director shall attend meetings of the Board in person or by proxy in accordance with these Articles.
- (b) Unless otherwise provided in these Articles, the quorum necessary for the transaction of the business of the Board shall be more than one-half of the number of the Directors in office as at the date of the meeting, PROVIDED ALWAYS that if there shall at any time be only a sole Director the quorum shall be one. For the purposes of this Article, a proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him/her is not present.
- (c) When the following resolutions put to the vote at any meeting of the Board, the quorum required shall be more than two-thirds of the number of Directors: (i) matters described in Article 38 (c) herein; (ii) any issuance, allotment, or placement of new Shares; (iii) any issuance of debenture, bonds, or any other type of debt securities; (iv) any plan of declaration of dividends and/or bonus; and (v) election and removal of the Chairman of the Board described in Article 88 herein.

87. The Board may act and pass or adopt resolutions notwithstanding any vacancy in its number.
88. The Board shall elect a chairman of the Board and determine the period for which he/she is to hold office. The chairman of the Board shall be elected by and among the Directors by a majority vote at a meeting of the Board at which two-thirds or more of the number of Directors in office as at the date of the meeting are present. The chairman of the Board shall take the chair at meeting of the Board, however if no such chairman is elected, or if at any meeting the chairman is not present, the Directors present may choose one of their number to be chairman of the meeting. The chairman of the Board may be removed by a majority vote of more than two-thirds of the attending Directors at a meeting of the Board at which two-thirds or more of the number of Directors in office as at the date of the meeting are present, PROVIDED that the chairman being so removed by the Board shall remain as a Director of the Company notwithstanding his/her removal as chairman of the Board.
89. A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by law. In an M&A Transaction effected by the Company, a Director who has a personal interest in such transaction shall explain at the Board meeting and the general meeting the essential contents of such personal interest and the cause of his/her/its approval or dissent to the resolution of such M&A Transaction. A Director who has a personal interest in the matter under discussion at a meeting of the Board, which conflicts with and may harm the interests of the Company, shall neither vote nor exercise voting rights on behalf of another Director at the relevant meeting; the votes cast by such Director who is prohibited from voting or exercising any voting right as prescribed above shall not be counted in the number of votes of Directors present at that meeting of the Board, but an interested Director may be counted towards the quorum of the meeting. So long as the Shares are listed on any ROC Securities Exchange, if the spouse or anyone having a family relationship within the second degree of kinship (as defined in the Applicable Public Company Rules) of a Director, or a company being controlled by or subordinate to a Director is interested in the matter under discussion at the such meeting, such relationship shall be deemed as that Director's personal interest in such matter.
90. The Board may delegate any of their powers to committees consisting of such member or members of the Board as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations and directions that may be imposed on it by the Board.
91. A committee of the Board may meet and adjourn as it thinks proper. Any resolution put to the vote at any committee meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the resolution shall fail. The meetings and proceedings of any committee shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board to the extent that the same are applicable and are not superseded by any regulations or directions imposed by the Board under the last preceding Article.
92. All acts done by any meeting of the Board or of a committee of Board shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director as the case may be.
93. Members of the Board or of any committee thereof may participate in a meeting of the Board or of such committee by means of videoconference or other electronic communication facilities whereby all persons participating in the meeting can see and hear each other simultaneously and instantaneously, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

#### **DUTY OF THE BOARD TO ADVISE IN A TENDER OFFER**

94. So long as the Shares are listed on any ROC Securities Exchange, the Board shall, within seven (7) days after receipt by the Company or by its litigation and non-litigation agent appointed pursuant to Applicable Public Company Rules of a copy of (i) a tender offer application to purchase Shares, and (ii) relevant documents, shall resolve to recommend to the

Members whether to accept or to reject the tender offer and make a public announcement of the following in accordance with the Applicable Public Company Rules:

- (a) the type and number of Shares held by the Directors and each Member holding more than ten percent (10%) of the total issued Shares in their own names or in the names of other persons;
- (b) the recommendation made to the Members on such tender offer, setting forth the names of the Directors who abstained or objected to the tender offer and the reason(s) therefor;
- (c) whether or not there are any material changes to the financial condition of the Company after the publication of the latest financial report and an explanation of the change(s) (if any); and
- (d) the type, number and amount of the shares in the tender offeror (if the tender offeror is a company or corporation) or its affiliates held by the Directors and the Members holding more than ten percent (10%) of the total issued Shares in their own names or in the name of other persons.

#### **VACATION OF OFFICE OF DIRECTOR AND DISQUALIFICATION OF A DIRECTOR**

95. The office of a Director shall be vacated:

- (a) if he/she resigns his/her office by notice in writing to the Company;
- (b) if he/she is removed from office in accordance with these Articles;
- (c) if he/she dies, becomes bankrupt, is ruled by a court with competent jurisdiction to start a liquidation proceeding, or makes any arrangement or composition with his/her creditors generally;
- (d) if an order is made by any competent court or official on the grounds that he/she is or will be suffering from lunacy, mental disorder or is otherwise incapable of, or need assistance in, managing his/her affairs; or his/her legal capacity is restricted according to the applicable laws;
- (e) if he/she has committed an offence as specified in the ROC statute of prevention of organizational crimes or similar legislations in other jurisdictions, or subsequently is adjudicated guilty by a final judgment and he/she has not started serving the sentence, has not completed serving the sentence, or five (5) years have not elapsed since his/her completion of serving the sentence, expiration of the probation, or pardon;
- (f) if he/she has committed an offence involving fraud, breach of trust or misappropriation, or subsequently sentenced to imprisonment for a term of more than one (1) year in any jurisdiction, and he/she has not started serving the sentence, has not completed serving the sentence, or two (2) years have not elapsed since his/her completion of serving the sentence, expiration of the probation, or pardon;
- (g) if he/she has been adjudicated guilty by a final judgment for an offence as specified in the ROC Anti-corruption Act, and he/she has not started serving the sentence, has not completed serving the sentence, or two (2) years have not elapsed since his/her completion of serving the sentence, expiration of the probation, or pardon;
- (h) if he/she has been blacklisted by the Taiwan Clearing House due to default on negotiable instruments, and the term of such sanction has not expired yet; or
- (i) In accordance with Articles 64 or 75;

Where any of the events described in this Article 95 (c), (d), (e), (f), (g), and (h) applies to or occurs in relation to a candidate for the office of Director, such candidate shall immediately be disqualified and ceases to be eligible to be considered for election to the office of Director. Where a Director who is also the chairman of the Board is removed from office as Director or his office as Director is vacated pursuant to this Article 95, the office of chairman of the Board shall also be automatically vacated.

95.1 (a) So long as the Shares are listed on any ROC Securities Exchange, if, during the term of office, a director transfers his shareholding such that he holds less than one half of the Shares he held as at the date of his appointment according to the Register of Members, the director shall, *ipso facto*, be automatically discharged from office.

(b) So long as the Shares are listed on any ROC Securities Exchange, a director's appointment shall not become effective in the following circumstances:

(i) if such director transfers his Shares such that he holds less than one half of the Shares he held as at the date on which his appointment is approved according to the Register of Members, but prior to the commencement of the term of his appointment becoming effective, if applicable; or

(ii) if such director transfers his Shares such that he holds less than one half of the Shares he held as at the date on which his appointment is approved according to the Register of Members during the transfer prohibition period of this Article 13.

Any breach of Article 95.1(b) shall cause the appointment of any proposed director to be, *ipso facto*, void.

(c) The preceding subparagraphs (a) and (b) of this Article 95.1 do not apply when the Director involved is an Independent Director.

#### **SEAL AND AUTHENTICATION OF DOCUMENTS**

96. (a) The Company may, if the Board so determine, have a Seal in such form as determined by the Board, which Seal shall, subject to paragraph (c) hereof, only be used by the authority of the Board or of a committee of the Board authorised by the Board and every instrument to which the Seal has been affixed shall be signed by a person who shall be either a Director or the Secretary or such other person authorised for this purpose by the Board or a committee of the Board.

(b) The Board may adopt for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common seal of the Company and, if the Board so determine, with the addition on its face of the name of every place where it is to be used.

(c) Any Director or the Secretary or other person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and if any books, records, documents or accounts are kept elsewhere than at the Registered Office or the head office of the Company, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. A document purporting to be a document so authenticated or a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any local board or committee, or of any books, records, documents or accounts or extracts therefrom as aforesaid, and which is certified as aforesaid, shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting or, as the case may be, that the copies of such books, records, documents or accounts were true copies of their originals or as the case may be, the extracts of such books, records, documents or accounts are true and accurate records of the books, records, documents or accounts from which they were extracted.

#### **OFFICERS**

97. (a) The Board may from time to time appoint officers and/or managers as the Board considers necessary, for such term, at such remuneration, to perform such duties, subject to such other conditions or restrictions or to such provisions as to disqualification and removal as

the Board from time to time prescribe. Article 78 (b) and (c) shall be applied mutatis mutandis to an officer's duties and liabilities to the Company and other third parties.

- (b) So long as the Shares are listed on any ROC Securities Exchange, the Company shall maintain a litigation and non-litigation agent appointed by the Board by way of a resolution passed by a simple majority of the Directors at a duly convened meeting of the Board with the necessary quorum, and shall report the appointment of the litigation and non-litigation agent or any change thereof to the FSC in accordance with the Applicable Public Company Rules. The litigation and non-litigation agent shall have residence within the ROC and shall be the responsible person of the Company within the ROC (as such term is defined under the Securities and Exchange Act of the ROC).

## **DIVIDENDS, DISTRIBUTIONS AND RESERVE**

- 98. (a) Unless otherwise provided by the Statute, these Articles, the Applicable Public Company Rules, or any direction of the Company in general meetings, the Company may by way of a resolution of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors, from time to time declare dividends and distributions to Members and authorise payment of the same out of the funds of the Company lawfully available therefor. The Directors shall report the declaration of dividends and distributions at the annual general meetings.
- (b) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a Class of Shares such dividends or distributions shall be declared and paid according to the amounts paid or credited as paid on the Shares of such Class issued on the record date for such dividend or distribution as determined in accordance with these Articles.
- 99. The Board may, before determining the amount of dividends or distributions, set aside such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.
- 100. No dividend or distribution shall be payable except out of the profits of the Company or from any reserve set aside from profits, or out of the share premium account of the Company, or as otherwise permitted by the Statute.
- 101. (a) The Company shall set aside no more than three percent (3%) of its annual profits (which means the pre-tax profits not including the amount of the compensation to employees and Directors) as compensation to employees of the Company, and set aside no more than three percent (3%) of its annual profits as compensation to Directors, provided however that the Company shall first offset its losses in previous years that have not been previously offset. The distribution of compensation to employees may be made by way of cash or Shares, which may be distributed under incentive programs approved pursuant to Article 10(a) above. The employees may include certain employees of the Subsidiaries who meet the conditions prescribed by the Company. The distribution of compensation to employees 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 and shall be reported to the Members at the general meeting. The distribution of compensation to the Directors shall only be made by way of cash. A Director who also serves as an executive officer of the Company and/or its Subsidiaries may receive a compensation in his capacity as a Director and a compensation in his capacity as an employee.
- (b) Where based on the Company's final accounts in respect of a current year, when the Company proposes to make profit distribution, such distribution shall be calculated based on the after-tax net profit of that current fiscal year, and shall be distributable only after (i) covering accumulated losses (including any adjustment to the retained earnings), (ii) setting aside a sum for any capital reserve pursuant to these Articles, (iii) setting aside a sum ten percent (10%) for any capital reserve pursuant to the Applicable Public Company Rules (the "**APCR Reserve**"), unless and until the accumulated amount of the APCR Reserve equals to the total paid-up capital of the Company, and (iv) setting aside a sum for an additional special reserve in compliance with the requirements promulgated by applicable ROC

authorities (including, but not limited to, the FSC or any applicable ROC Securities Exchange) so long as the Shares are listed on any ROC Securities Exchange. The balance of the after-tax net profit in the current fiscal year remaining after all the foregoing deduction shall hereinafter be referred to as the “**Distributable Net Profit of the Current Year.**” Dividends may be declared and paid out of the Distributable Net Profit of the Current Year and any undistributed retained profit accrued from prior years (together, the “**Accumulated Distributable Net Profit**”). The Accumulated Distributable Net Profit is available for distribution to the Members as cash dividend or may be used to pay up any bonus shares to be issued to the Members. The dividends as proposed for declaration in such plan shall not be less than five (5) percent of the Distributable Net Profit of the Current Year.

- (c) No unpaid dividend, distribution or other monies payable by the Company shall bear interest against the Company.
102. Any dividend, distribution, interest or other monies payable in cash to the holder of Shares may be paid by way of telegraphic transfer or electronic transfer or remittance or direct crediting to the bank account of such holder of Shares as he/she/it may designate and notified to the Company, or cheque or warrant sent through the post addressed to the holder at his/her/its registered address, or, in the case of joint holders, to the holder who is first named in the Register of Members or to such person and to such address as such holder or joint holders may in writing direct, at the risk of the person entitled to such dividend, distribution, interest or other monies. Every such cheque or warrant shall be made payable or property distributable to the order of the person to whom it is sent. Anyone of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the Share held by them as joint holders. Payment of the cheque or warrant by the bank on which it is drawn shall constitute good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or than any endorsement thereon has been forged.
103. (a) Subject to Article 33, the Company may upon the recommendation of the Board, resolve by way of a Supermajority Resolution that such dividend be satisfied in part in the form of an allotment and issue of new Shares credited as fully paid without offering any right to Members to elect to receive such dividend in cash in lieu of such allotment. In such case, the basis of any such allotment shall be determined by the Board, and the Board shall prepare a plan of declaration of dividends and/or distribution and such plan shall be submitted to the Members for approval at a general meeting by Supermajority Resolution.
- (b) Subject to Article 33, the Company may declare and pay cash dividends from Accumulated Distributable Net Profit, or make cash distribution from the APCR Reserve, upon a resolution of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors.
- (c) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (a) of this Article with full power to the Board to make such provisions as it thinks fit in the case of Shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned), and no Members who will be affected thereby shall be, and they shall be deemed not to be, a separate Class of Members by reason only of the exercise of this power. The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (d) The Board may on any occasion determine that the allotment of Shares under paragraph (a) of this Article shall not be made available or made to any Members with registered addresses in any territory where in the absence of a registration statement or other special formalities the allotment of Shares would or might be unlawful or impracticable or the legality or practicability of which may be time consuming or expensive to ascertain whether in absolute terms or in relation to the value of the holding of Shares of the Members concerned, and in such event the provisions aforesaid shall be read and construed subject to such determination and no Member who may be affected by any such determination



shall be, and they shall be deemed not to be, a separate Class of Members for any purposes whatsoever.

#### **REMUNERATION COMMITTEE**

104. The Board shall establish a committee of the Board known as the "Remuneration Committee" in accordance with the Applicable Public Company Rules, including the *Regulations Governing Establishment and Operation of Remuneration Committees of Companies Listed in Taiwan Stock Exchange and the GreTai Securities Market*. The Board shall adopt regulations governing the operation of the Remuneration Committee in accordance with the Applicable Public Company Rules.

#### **CAPITALISATION**

105. (a) Subject to the Statute, Applicable Public Company Rules and these Articles, the Company may upon the recommendation of the Board by way of a Supermajority Resolution in a general meeting authorise the Board to capitalise any sum standing to the credit of any of the Company's reserve accounts which are available for distribution (including share premium account and capital redemption reserve defined in the Statute) or any distributable profits not required for the payment or provision of dividend on any Shares with preferential right to dividends, by appropriating such sum to Members on the Register of Members at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) 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 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 such Members in the proportion aforesaid.
- (b) Subject to the Statute, whenever such a resolution as aforesaid shall have been passed, the Board shall make all appropriations and applications of the reserves or profits resolved to be capitalised thereby, and attend to all allotments and issuance of fully paid Shares and generally shall do all acts and things required to give effect thereto. For the purpose of giving effect to any resolution under this Article, the Board may settle any difficulty which may arise in regard to any distribution under this Article as it thinks fit, and in particular may disregard fractional entitlements altogether or round the same up or down and may determine that cash payments shall be made to any Members in lieu of fractional entitlements or that fractions of such value as the Board may determine may be disregarded in order to adjust the rights of all parties or that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the Members concerned, and no Members who are affected thereby shall be deemed to be, and they shall be deemed not to be, a separate class of Members by reason only of the exercise of this power. The Board may authorise any person to enter on behalf of the persons entitled to participate in the distribution any agreement with the Company necessary or desirable for giving effect thereto and such appointment and any agreement made under such authority shall be effective and binding upon all concerned.
- (c) Without limiting the generality of the foregoing, any such agreement may provide for the acceptance by such persons of the Shares to be allotted, issued and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised. The Board may on any occasion determine that the allotment of Shares under this Article shall not be made available or made to any Members with registered addresses in any territory where in the absence of a registration statement or other special formalities the allotment of Shares would or might be unlawful or impracticable or the legality or practicability of which may be time consuming or expensive to ascertain whether in absolute terms or in relation to the value of the holding of Shares of the Member concerned, and in such event the provisions aforesaid shall be read and construed subject to such determination and no Member who may be affected by any such determination shall be, and they shall be deemed not to be, a separate class of Members for any purposes whatsoever.

#### **BOOKS OF ACCOUNT AND RECORDS OF THE COMPANY**

106. The Board shall cause proper books of account to be kept with respect to all transactions of the Company and in particular with respect to:

- (i) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;
  - (ii) all sales and purchases of goods by the Company;
  - (iii) the assets and liabilities of the Company; and
  - (iv) all other matters required by Statute and which are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.
107. (a) Proper books shall not be deemed to be kept with respect to the matters referred to in Article 106 if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- (b) The instruments of proxy, documents, forms/statements and information in electronic media prepared in accordance with these Articles and relevant rules and regulations shall be kept for at least six (6) years. However, if a Member institutes a lawsuit with respect to such instruments of proxy, documents, forms/statements and/or information mentioned herein, they shall be kept until the conclusion of the litigation if longer than six (6) years.

### **NOTICES**

108. Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by post, cable, telex or facsimile or by electronic means (including electronic mail) to him/her/it or to his/her/its address as shown in the Register of Members, such notice, if mailed, to be sent by airmail if the address be outside Taiwan.
109. (a) Where a notice is sent by post or airmail, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and shall be deemed to have been effected on the expiration of sixty (60) hours after the letter containing the same is posted as aforesaid.
- (b) Where a notice is sent by cable, telex, facsimile or electronic means to such number or address supplied by the Member to the Company for giving of notice to him/her/it, service of the notice shall be deemed to be effected on the day the same is sent as aforesaid.
110. A notice may be given by the Company to the joint holders of a Share by giving the notice to the joint holder first named in the Register of Members in respect of the Share.
111. Any notice or document delivered or sent in accordance with these Articles shall, notwithstanding that such Member is then deceased, bankrupt or wound up and whether or not the Company has notice of his death, bankruptcy or winding up, be deemed to have duly served or delivered in respect of any Shares registered in the name of such Member whether held solely or jointly with other persons by such Member, (unless his name shall at the time of service or delivery of the notice or document have been removed from the Register of Members as the holder of the Shares), and such service or delivery shall for all purposes of these Articles be deemed a sufficient service of such notice or document on his personal representatives and all persons interested (whether jointly with or as claiming through or under him) in any such Shares.
112. A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member by sending it through the post as aforesaid in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
113. Notice of every general meeting shall be given in any manner hereinbefore authorised to:
- (a) every person shown as a Member in the Register of Members as of the record date for such general meeting except that in the case of joint holders, the notice shall be sufficient if given to the joint holder first named in the Register of Members; and

- (b) every person upon whom the ownership of a Share devolves by reason of his/her/it being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his/her death or his/her/its bankruptcy would be entitled to receive notice of the meeting.

Apart from the persons contemplated by paragraphs (a) and (b) above of this Article and apart from Directors and Independent Directors, no other person shall be entitled to receive notices of general meetings unless the Board determines otherwise in its sole discretion.

#### **WINDING UP**

114. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, 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/she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members within the same Class or different Classes of Members. 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 Shares or other securities whereon there is any liability.
115. Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any Class or Classes of Shares, (i) if the Company shall be wound up and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the paid up 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 capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively, and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Members in proportion to the amount paid up on the Shares held by them respectively.

#### **AUDIT COMMITTEE**

116. The Board shall establish a committee of Board known as the "Audit Committee". The Audit Committee shall comprise solely of Independent Directors and the number of committee members shall not be less than three (3). One of the Audit Committee members shall be appointed and designated as the convener to convene meetings of the Audit Committee from time to time and at least one (1) of the Audit Committee members shall have accounting or financial expertise. A valid resolution of the Audit Committee requires approval of one-half or more of all its members.
117. (a) Any of the following matters relating to the Company shall require the consent of one-half or more of all Audit Committee members by way of resolution and be submitted to the Board for approval:
- (i) adoption of or amendment to an internal control system;
  - (ii) assessment of the effectiveness of the internal control system;
  - (iii) adoption of or amendment to the 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;
  - (iv) any matter relating to the personal interest of the Directors;
  - (v) a transaction relating to a material asset of the Company or derivatives transaction;
  - (vi) a material monetary loan, endorsement, or provision of guarantee;

- (vii) the offering, issuance, or private placement of any equity securities;
- (viii) the hiring or dismissal of an attesting certified public accountant, or the compensation given thereto;
- (ix) the appointment or discharge of a financial, accounting, or internal audit officer;
- (x) approval of annual and semi-annual financial reports; and
- (xi) any other matter so determined by the Company from time to time or required by any competent authority overseeing the Company.

With the exception of item (x), any other matter that has not been approved by one-half or more of all Audit Committee members may be undertaken upon the consent of two-thirds or more of the members of the Board by way of resolution at the Board meeting, and any resolution of the Audit Committee passed in respect of such matter shall be tabled at the Board meeting.

(b) Before any resolution of an M&A Transaction is approved by the Board, the Audit Committee shall review the fairness and reasonableness of the plan and transaction of the M&A Transaction, and then the Audit Committee shall present its findings to the Board and to the general meeting; provided that if Cayman Islands laws do not require a resolution of the M&A Transaction at the general meeting, the Company is not required to present its findings to the general meeting. When the Audit Committee reviews the matter, it shall seek opinion from an independent expert on the reasonableness of the share exchange ratio or distribution of cash or other assets. The review results by the Audit Committee and the opinion by an independent expert shall be delivered to each Shareholder along with the notice of the general meeting for the M&A Transaction, provided that if Cayman Islands laws do not require a resolution of the M&A Transaction at the general meeting, the Company shall report the M&A Transaction to the very next general meeting. If the Company announces the content of the documents, which are to be delivered to Shareholders under this paragraph, on the website designated by FSC and those documents are prepared at the venue of the general meeting by the Company, those documents shall be deemed as having been delivered to the Shareholders.

- 118. the Audit Committee shall supervise the execution of business operations of the Company, and may from time to time inspect the business and financial conditions of the Company, examine, make transcript of, or copy the books and documents relating to the Company, and request the Board or any officer to make reports in respect of the Company's affairs.
- 119. When performing its aforementioned duties, the Audit Committee may appoint an attorney or a certified public accountant to conduct the auditing on its behalf.
- 120. In case the Board or any Director commits any act and any member of the Audit Committee becomes aware of such act, when carrying out the business operations of the Company, in a manner violating the applicable laws and/or regulations, these Articles, or any resolution passed at a general meeting, the Audit Committee shall immediately demand that the Board or the violating Director, as the case may be, cease such act.
- 121. Member(s) continuously holding one percent (1%) or more of the total issued Shares for at least six (6) months may request the Audit Committee in writing to institute, on behalf of the Company, a court action against a Director. Subject to all applicable law, in case the Audit Committee fails to institute such action within thirty (30) days after having received the aforementioned request, then the Members filing the said request in accordance with this Article may institute the action on behalf of the Company in any court with competent jurisdiction, and nothing in these Articles shall be construed to prevent these Members from filing such action in the Taipei District Court, ROC.

#### **INDEMNITY**

- 122. (a) The Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their executors and administrators respectively (each of which persons being referred to in this Article as an

**"indemnified person")** shall be indemnified and secured harmless out of the assets of the Company from and against all actions costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, and no such indemnified party shall be answerable for the acts, receipts, neglects or defaults of any other of them or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency or deficiency of any security upon which any monies of or belonging to the Company may be placed out on or invested, or for any other loss, misfortune or damage which may happen or arise in the execution of their respective offices or trust, or in or about thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud, dishonesty, recklessness, willful neglect or default which may attach to any of the said persons.

- (b) The Company may purchase and maintain insurance for the benefit of any Director or officer of the Company against any liability incurred by him/her/it in his/her/its capacity as a Director or officer of the Company or indemnifying such Director or officer in respect of any loss arising or liability attaching to him/her/it by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or officer may be guilty in relation to the Company or any subsidiary thereof.

#### **FISCAL YEAR**

- 123. Unless the Board otherwise determines, the fiscal year of the Company shall end on 31<sup>st</sup> December of each year and following the year of incorporation, the fiscal year shall begin on 1<sup>st</sup> January of each year.

## **Annex 4**

### **4. Procedures for Acquisition or Disposal of Assets (Pre-amendment contents)**

#### Article 1 Purpose

These Procedures are adopted for the protection of assets and the implementation of public disclosure of information.

#### Article 2 Legal basis

These Operational Procedures are duly enacted in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the competent authority in charge of securities affairs of the Republic of China.

#### Article 3 Scope of assets

- I. Negotiable securities: include investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities
- II. Real estate (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment
- III. Memberships
- IV. Intangible asset: include patents, copyrights, trademarks, franchise rights, and other intangible assets
- V. Right-of-use assets
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables)
- VII. Derivatives
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law
- IX. Other major assets

#### Article 4 Definition of terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, paragraph 3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of the Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever

date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. The term "within the preceding year" as set forth herein denotes the year preceding the date of the present acquisition or disposal of assets. Items having been promulgated need not be counted toward the transaction.
- VIII. The term "financial statements of the most recent term" as set forth herein denotes the financial statements of the Company having been publicly audited and certified by the Certified Public Accountant prior to acquisition or disposal of assets.
- IX. The terms "entire Audit Committee members" and "entire directors" as set forth herein denotes those incumbent ones actually serving the posts.
- X. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- XI. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 5 The total amounts of real estate and right-of-use assets thereof by the Company and each subsidiary not for business use or the negotiable securities shall be subject to the following limits:

- I. The real estate and right-of-use assets thereof to be acquired by the Company and its subsidiaries not for business use shall not exceed 100% of the Company's net worth as shown through its financial statements of the most recent term.
- II. The aggregate total of long-term and short-term negotiable securities to be invested by the Company and its subsidiaries not for business use shall not exceed 100% of the Company's net worth as shown through its financial statements of the most recent term. The long-term equity investment with control power shall, nevertheless, not be counted inclusive.
- III. The amount of individual negotiable securities invested shall not exceed 100% of the Company's net worth as shown through its financial statements of the most recent term. The long-term equity investment with control power shall not be counted inclusive.

Article 6 The professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company and its subsidiaries with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. Having not previously received a final and unappealable sentence to imprisonment for one year or longer in contravention of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if three years have already elapsed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. Having not been a related party or de facto related party of any party to the transaction.
- III. Where the Company is required to obtain appraisal reports from two or more professional

appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

Upon issuance of an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case worksheets.
- III. They shall conduct an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. The declaration attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is rational, accurate with sound compliance with applicable laws and regulations..

Article 7 With respect to the Company's and its subsidiaries' acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Company's audit committee.

Besides, where the Company has set up independent directors. Where a transaction in acquisition or disposal of assets is submitted to the Board of Directors into discussion, the opinions of the independent directors should be taken into adequate account and their opinions pros or cons and the reasons thereof shall be entered into the minutes of the meeting.

The audit committee established by the Company shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution.

If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Article 8 Where the Company and its subsidiary(ies) acquire or dispose of real estate, equipment or the right-of-use assets thereof, the evaluation and Procedures are as enumerated below:

- I. Evaluation and operational procedures:  
The real estate, equipment or the right-of-use assets thereof to be acquired or disposed of by the Company shall be duly handled exactly in accordance with the internal control system and fixed asset circulation procedures of the Company and its subsidiary(ies) in all cases.
- II. The procedures to resolve transaction conditions and authorization limits:
  - (I) For acquisition or disposal of real estate or the right-of-use assets thereof, the publicly announced current value, evaluated value, prices in transactions actually concluded for the neighboring real estate, conditions to resolve for the transaction and transaction prices shall be duly handled by the relevant department heads through hierarchical responsibility rule:

	<b>Acquisition or disposal of assets, payment for equipment or the right-of-use assets thereof</b>
Approving levels	Amount
The Company's chairman	Within 20% of the Company's paid-in capital



A transaction in amount in excess of 20% of the Company's paid-in capital shall be submitted to and approved by the Board of Directors beforehand.

- (II) In acquisition or disposal of equipment or the right-of-use assets thereof, the Company shall conduct through inquiry, price competition, price negotiation bargaining process or open tender. In accordance with hierarchical structure of responsibilities rules of the Company, other than handling through relevant department heads concerned, a transaction case in amount in excess of 20% of the Company's paid-in capital shall be submitted to and approved by the Board of Directors beforehand.

III. Unit of execution

Where the Company and its subsidiaries acquires or disposes of real estate, equipment or right-of-use assets thereof, after the case is submitted for approval, the user unit or the administrative unit shall assume the responsibility for implementation.

IV. Appraisal reports of real estate or other fixed assets:

Appraisal reports of real estate, equipment or the right-of-use assets thereof

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof by the Company and its subsidiaries where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. This same provision is applicable mutatis mutandis to an event with a change in the terms of transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (V) Where the Company acquires or disposes of assets through auction procedures by a court, the supporting certificate(s) issued by the court may be acceptable instead of appraisal report or Certified Public Accountant opinions.
- (VI) In comparison with the discrepancy by and between the transaction price and the appraised price, in case of an abnormal transaction noticed, the department in charge shall obtain the transaction contracts, ownership titles, tax payment certificates and such vouchers which shall be submitted for approval.

- (VII) Check and make sure of the ownership transfer registration procedures and handle the case exactly in accordance with the contract. If the ownership transfer registration is found not completed while the payment has been completed in full, the department in charge should check and make sure of the causes.

Article 9 Procedures for acquisition or disposal of securities

I. Appraisal and operational procedures

The Company's and its subsidiaries' negotiable securities shall be purchased and sold exactly in accordance with the Company's and its subsidiaries' internal control system and investment circulation process.

II. Procedures to resolve transaction conditions and authorization degrees

(I) In case of purchases and sales of negotiable securities at centralized securities exchange market or at the place of business of a securities firm, the unit in charge shall judge and resolve a decision based on the market quotation. On the grounds of the Company's hierarchical responsibilities and delegation of authority, the department heads concerned shall duly handle through hierarchical responsibility rule. A case in excess of 40% of the paid-in capital shall be submitted to and approved by the Board of Directors beforehand.

(II) For buys and sales of securities centralized securities exchange market or at the place of business of a securities firm, the Company shall first obtain the financial statements of the target company having been certified or audited by a Certified Public Accountant as the handy reference to evaluate the transaction prices, taking into account the net worth per share, profitability and potential of future development. Pursuant to the Company's delegation of authority, the department head(s) concerned shall handle the transaction under hierarchical responsibility rule. A case with accumulated amount in excess of 20% of the paid-in capital shall be submitted to and approved by the Board of Directors beforehand. In a case linked up with financial allocation (bonds under repurchase and resale agreements, bond based funds and similar to money commodities) and the wealth management commodities in non-derivative instruments issued by a financial institution may be duly handled based on the delegation of authority, free of restriction under the articles set forth under the preceding Paragraph.

III. Unit of execution

The investment or disposal of the Company's and its subsidiaries' negotiable securities shall, after approval through the Company's delegation of authority, be put into implementation by the departments concerned.

IV. Acquirement of expert opinions

(I) In acquiring or disposing of securities, the Company and its subsidiaries shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. In acquiring or disposing of securities, if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations the competent authority.

(II) Where the Company's and its subsidiaries' assets are acquired or disposed of through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 10

The handling procedures to acquire real estate or right-of-use assets thereof from a related party:

I. Where the Company and its subsidiaries acquires real estate or right-of-use assets thereof through purchase from a related party or through swap, other than compliance with handling procedures to acquire real estate or right-of-use assets thereof set forth under Article 7 of the Procedures, the Company shall further handle through the relevant resolved procedures below to evaluate the rationality of the transaction conditions. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered..

II. Appraisal and operational procedures

When the Company and its subsidiaries intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by the securities investment trust enterprises, the Company shall submit the papers as enumerated below to be approved by the Board of Directors and to be acknowledged by the Audit Committee before execution of the transaction agreement and payment process:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a trading counterparty.
- (III) The Company shall assess the rationality related information and data with the forecast transaction conditions in accordance with Subparagraphs (I), (II), (III), (IV) and (VI), Paragraph III of this Article.
- (IV) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (VIII) Restrictive covenants and other important stipulations associated with the transaction.

The amount of transaction conducted under the preceding Paragraph shall be duly counted in accordance with Paragraph I, Article 15. The term "within the preceding year" as set forth herein denotes the year preceding the date of date of occurrence of the fact. Items having been resolved by the shareholders' meeting, the Board of Directors and acknowledged by the audit committee need not be counted toward the transaction.

In case of the following transactions conducted by the Company and its subsidiaries or companies with 100% holding of the total outstanding shares either directly or indirectly, the Board of Directors may duly delegate power in accordance with Subparagraph I, Paragraph II, Article 8 to go ahead first within the specified credit limit before the case to be submitted to the board of directors meeting of the most recent term for retrospective acknowledgement:

- (I) Acquisition or disposal of equipment for business use or the right-of-use assets thereof.
  - (II) Acquisition or disposal of real estate for business use or the right-of-use assets thereof.
- Where the Company submits the issue to the Board of Directors into discussion in accordance with Paragraph I, the Company shall take the opinions of all independent directors into adequate account. The objective opinions or reserved opinions by independent directors, if any, shall be expressly remarked in the minutes of the board of directors meeting.

Where the Company has set up Audit Committee, the issues to be ratified by the Audit Committee under Paragraph II shall be first approved by one half majority of all Audit Committee members and shall be submitted to the Board of Directors for approval one half majority vote to which the provisions set forth under Paragraphs IV and V of Article 6 shall apply.

If a the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph II and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph II to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.

### III. Appraisal of reasonableness of the transaction cost

- (I) In acquiring real estate or right-of-use assets thereof from a related party, the Company and its subsidiaries shall appraise the reasonableness of the transaction costs by the following means:
  - 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- (II) Where land and house thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the house may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) Where Company and its subsidiaries acquires real estate or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets thereof in accordance with Subparagraph (I) and (II) of Paragraph III of this Article, the Company shall also engage a CPA to check the appraisal and render a specific opinion.
- (IV) When the results of the Company's and its subsidiaries' appraisal conducted for acquisition of real estate or right-of-use assets thereof in accordance with Subparagraph (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article Subparagraph (V) of Paragraph III of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA has been obtained, this restriction shall not apply:
  - 1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and house according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the

related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or lease practices.
2. Where the Company and its subsidiaries acquiring real estate, or obtaining real estate right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or right-of-use assets thereof.
- (V) Where the Company and its subsidiaries acquires real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Subparagraphs (I), (II), (III), (IV) and (VI) of Paragraph III of this article are uniformly lower than the transaction price, the following steps shall be taken:
1. A special reserve shall be set aside in accordance with paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company and its subsidiaries uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  2. The member independent directors of the Company's Audit Committee shall strictly oversee execution of the Company's business operation and may investigate into the Company's business and financial conditions, look into books and documents and may request the Board of Directors or managerial officers to submit reports. Upon in charge of the aforementioned business operation, the member independent directors of the Company's Audit Committee may retain lawyer(s), Certified Public Accountant(s) to conduct review.
  3. Actions taken pursuant to Items 1 and 2, Subparagraphs (V), Paragraph III of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. Where the Company amortizes special reserve in accordance with the aforementioned provisions, the Company shall not use the special reserve until the loss for depreciation has been recognized for assets purchased or leased at high prices, or has been disposed of, or the leasing contract has been terminated or with appropriate compensation or with restoration to the or there has been other evidence proving no irrationality, as approved by the competent authority.
- (VI) Where the Company and its subsidiaries acquires real estate or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance requirements relating to appraisal and operation procedure under paragraphs I and II of this Article, and the requirement

relating to appraisal of reasonableness of transaction cost under Subparagraphs (I), (II) and (III) of Paragraph 3 of this Article do not apply:

1. The related party acquired the real estate or Right-of-use assets through inheritance or as a gift.
  2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or Right-of-use assets to the signing date for the current transaction.
  3. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.
  4. Acquisition or disposal of real estate and right-of-use thereof for business use by and among the Company and its subsidiaries, or among subsidiaries with 100% holding of total capital either directly or indirectly
- (VII) For transaction of real estate or right-of-use assets thereof with related parties, if there is other evidence indicating that the transaction was not in conformity with arm's length, the Company and its subsidiaries shall follow the requirements of Subparagraph (V) of Paragraph III of this Article.

Article 11 Appraisal and operational procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships

I. Appraisal and operational procedures

The Company and its subsidiaries acquire or dispose of intangible assets or right-of-use assets thereof or memberships exactly in accordance with the internal control system property managerial operation rules.

II. Procedures to resolve the transaction conditions and degree of authority delegated:

- (I) In acquisition or disposal of memberships, the Company shall take into account the fair market prices, resolve conditions and prices of transaction, work out analytical reports and submit the same to the competent department head for review (A transaction case in amount below NT\$10 million shall be submitted to and approved by the chairman). A transaction case in amount beyond NT\$10 million shall be submitted to and approved by the Board of Directors beforehand.
- (II) In acquisition or disposal of intangible assets or right-of-use assets thereof, the Company shall take into account the reports offered by experts or fair market prices, resolve conditions and prices of transaction, work out analytical reports and submit the same to the competent department head for review (A transaction case in amount below NT\$10 million shall be submitted to and approved by the chairman). A transaction case in amount beyond NT\$10 million shall be submitted to and approved by the Board of Directors beforehand.

III. Unit of execution

In acquisition or disposal intangible assets or right-of-use assets thereof or memberships, the Company and its subsidiaries shall resolve through the delegation of authority process in accordance with the preceding Paragraph before the custodian department or the competent department assumes the responsibility for execution.

IV. Expert evaluation reports for intangible assets or right-of-use assets thereof or memberships

The Company and its subsidiaries thereof for acquisition or disposal of intangible assets or the right-of-use thereof or memberships where the amount of transaction is up to 20% of the paid-in capital or NT\$300 million, except a transaction with a domestic government authority, the Company shall consult with a Certified Public Accountant(s) to offer opinions about the rationality of the transaction prices prior to date of occurrence of the fact.

Article 12 Procedures for acquisition or disposal of claims of financial institutions

The Company and its subsidiaries, as a principle, does not engage in the transaction of acquisition or disposal of claims of financial institutions. However, if the Company desires to engage in the

transaction of acquisition or disposal of claims of financial institutions in the future, its appraisal and operational procedures shall be formulated after approval of the Board of Directors of the Company is obtained.

Article 13      Procedures for acquisition or disposal of derivatives

I.      Trading principle and guidelines

(I)      Type of transaction

1.      The derivatives engaged by the Company and its subsidiaries refer to transaction agreements of which values are derived from an asset, interest rate, exchange rate, index, or other interest (e.g. forward contracts, options, futures, interest rate or exchange rate, swap, and compound agreements that are combinations of the above products).
2.      All issues linked up with bond guarantee transactions shall be duly handled exactly in accordance with these Operational Procedures.

(II)      Operation (hedging) strategies

Where engaging in derivative financial instruments, the Company and its subsidiaries aims at the objectives to evade potential exchange risks that might be inevitable amidst normal business operation and toward wealth management. The Company should choose financial institutions at home and abroad with well-known credit standing, primarily aiming at the low risk wealth management commodities issued by the banks of low-risk standing. Transaction toward other purposes of use shall call for prudential evaluation which shall be reported to and approved by the Board of Directors before implementation.

(III)      Division of Responsibilities

1.      Finance Department and Accounting Department

(1)      The personnel in charge of transaction

- A.      To assume the responsibility to map out the strategies of the financial commodities for the Company and its subsidiaries.
- B.      The personnel in charge of transaction shall count the positions, collect market updates, proceed with judgment of trends and work out operational strategies on a weekly basis which shall function as the very grounds for transaction after being approved under the delegation of authority power.
- C.      The personnel in charge of transaction shall implement transaction based on the powers & authorities and the established policies.
- D.      In case of a significant change in the financial markets where the personnel in charge of transaction at their discretion judge that the established strategies would no longer be applicable, the personnel in charge of transaction shall map out strategies anew to function as the very grounds for transaction after being approved by the competent department head(s).

(2)      Personnel in charge of confirmation of transaction: To check and verify transactions based on the deleted powers & authorities and rules.

(3)      Delivery and settlement personnel: To implement delivery and settlement duties.

(4)      Account management personnel

- A.      Account management personnel shall conduct evaluation and report to the chairman on a monthly basis.
- B.      Account management personnel shall take overall charge of accounting affairs.

(5)      Powers & authorities of delegation of authority over derivative financial instruments:

- A. Powers & authorities limit over hedging transaction and investment into wealth management in hedging transaction:
- a. Amount of each transaction

Competent decision-making authority	Maximum limit of amount of each transaction
Chairman	Below 40% (inclusive) of the Company's paid-in capital or currency(ies) of the equivalent value.
Board of Directors	In excess of 40% (inclusive) of the Company's paid-in capital or currency(ies) of the equivalent value.

- b. Approval shall be obtained from the competent decision-making authority when the net positions reach the standards/criteria as enumerated below:

Competent decision-making authority	Maximum limit of transaction in net positions
Chairman	Below 80% of paid-in capital (inclusive) or other currencies of the equivalent value
Board of Directors	In excess of 80% of paid-in capital (inclusive) or other currencies of the equivalent value

- B. A transaction of other purposes of use shall not be conducted until submitted to and approved by the Board of Directors.

2. Audit Department:

The Audit Department shall, on a regular basis, look into the fairness of the internal control system over transactions in derivative financial instruments and shall further audit the transaction departments to check and make sure of their compliance in Procedures to Engage in Transaction and Disposal of Derivatives to work out audit reports and shall keep the Audit Committee informed in writing upon a serious default found.

3. Performance Appraisal

(1) Hedging transactions:

- A. Gain/loss arising from the difference between carrying cost of exchange rate and derivatives trade engaged by the Company is adopted as the basis for performance evaluation
- B. In order to efficiently control and represent the valuation risk of trade, the Company evaluates gain/loss by monthly valuation method.
- C. The Finance Department shall submit the analytical reports about evaluation of foreign exchange/interest rate positions and trends of foreign exchange/interest rate markets to the chairman for reference and instructions in the management.

(2) Investment into wealth management and transaction in specific purposes of use

The department shall take the profit and/or loss substantially incurred as the grounds for evaluation and the financial personnel shall, on a regular basis,



work out statements of the positions to function as handy reference to the management.

4. Setting of aggregate contract amount and loss

(1) Aggregate contract amount

A. Hedging transactions:

The Finance Department shall firmly dominate the overall positions of the entire Company in an effort to evade potential risk. The amount of a hedging transaction shall not exceed the Company's overall position (The differential discrepancy between the current assets in foreign currencies and liabilities in foreign currencies). The excess, if any, shall not be conducted until submitted to and approved by the Board of Directors.

B. Investment into wealth management

Toward the forecast in changes in the markets, the Finance Department may, as the actual requirements may justify, work out strategies to be approved by the chairman before implementation. The net position of the Company's investment into wealth management shall not exceed the maximum of 20% of the operating revenues attained by the Company in the preceding year or NT\$300 million. For the excess, if any, the Finance Department shall duly act under the politic instructions after being approved by the Board of Directors.

C. Transactions in other specific purposes of use call for prudential evaluation, submittal to and approval by the Board of Directors before implementation.

(2) Setting of loss limit

- A. Where a hedging transaction is intended to evade potential risks, the entire loss under the contracts shall not exceed the maximum limit of either US\$500,000 or 20% of the aggregate total of entire contracts.
- B. In case of a transaction contract aiming at investment into wealth management and specific purposes, after the positions are set up, the Department shall set the stop-loss point to prevent a loss beyond the limit. The stop-loss point shall be set not beyond the maximum limit of 10% the aggregate total amount of the contracts in transactions. In a case in excess of 10% the aggregate total amount of the contracts in transactions, the Department shall report to the chairman and Board of Directors to work out the countermeasures as appropriate.
- C. The amount of loss under an individual contract shall not exceed the maximum limit of US\$50,000 or 10% of the contract value.
- D. Where the Company engages in a transaction aiming at investment into wealth management and specific purposes, the annual loss shall not exceed the maximum limit of US\$300,000.

II. Risk management measures

(I) Credit risk management:

Amidst changes of various factors in the markets that tend to lead to operational risks in the derivative financial instruments, the management over market risks shall be conducted under the following principles:

Target counterparties in transactions: Primarily aiming at renowned financial institutions at home and abroad, as pursuant to the list worked out and provided by the unit of execution and approved by the chairman.

Commodities in transactions: To be confined to only such commodities provided by renowned financial institutions at home and abroad. Futures markets are not taken into account for the time being.

(II) Market price risk management:

The Company shall primarily aims at the open foreign exchange/interest rate transaction markets provided by banks.

(III) Liquidity risk management:

To assure sound liquidity in the markets, the Company would primarily aim at high liquidity upon choosing financial products (i.e., such financial products which could be evened up in the markets all the time). The financial institution commissioned shall provide adequate information with the capability to transact in the markets all the time.

(IV) Risk management over cash flows:

To assure stability of the Company's working capitals, the Company and its subsidiaries may only take their own working capitals to engage in transactions in derivative financial instruments. In such business operation, the Company shall take into account the substantial requirements in the forecast of revenues and expenditures in cash.

(V) Operation risk management:

1. The Company shall faithfully comply with the Company's degree of authority delegated and shall cover the Procedures into the internal audit to prevent potential operational risks.
2. The personnel engaging in transactions in derivative financial instruments shall not concurrently serve the posts for confirmation, delivery or settlement.
3. In measurement of risks, the personnel in charge of superintendence and control shall come from the department (s) differing the personnel mentioned in the preceding Paragraph and shall report to the Board of Directors or the senior management personnel not in charge of transaction or policymaking process for positions.

(VI) Management over legal risks:

Personnel in charge of internal transaction shall possess integrated and accurate expertise about financial products and shall demand that the banks should put the risks into adequate disclosure to prevent potential misuse of financial products.

(VII) Legal risk management:

All papers to be signed with financial institutions shall be checked and verified by the legal consultants or special personnel in charge of foreign exchange and legal issues before official execution to prevent a potential legal risk.

III. Internal audit system

(I) The Board of Directors shall authorize ranking department head(s) to oversee and evaluate transactions in derivative financial instruments to check and make sure whether such transactions have been duly conducted according to the transaction procedures stipulated by the Company and whether the risk borne is within the tolerable limit. In case of an abnormality found in evaluation of the market prices (e.g., in the event that the position held proves in excess of the maximum limit), it shall be reported to the Board of Directors forthwith and shall take countermeasures forthwith.

(II) The positions held for transactions in derivative financial instruments shall be evaluated on a weekly basis as the minimum. The hedging transaction aiming at a need of business operation shall be evaluated twice per month as minimum. Such evaluation reports shall be submitted to the senior executive heads as bestowed by the Board of Directors.

IV. The principles for the Board of Directors in superintendence and management over transactions in derivative financial instruments:

(I) The Board of Directors shall designate the senior executive heads to closely watch the superintendence and control over the potential risks in the transactions in derivative financial instruments. The managerial principles are as enumerated below:

1. Such senior executive heads designated by the Board of Directors shall evaluate on a regular basis whether the risk control measures currently adopted are appropriate enough and whether such risk management has been conducted

faithfully based on the laws and ordinances concerned and Procedures to Engage in Transaction and Disposal of Derivatives.

2. Supervise the status of trading and profit or loss. If any abnormality is found, necessary responsive measure shall be taken and shall be immediately reported to the Board of Directors. If the Company has independent directors, the independent directors shall attend the board meeting and express their opinions.
- (II) The senior executive heads designated by the Board of Directors shall evaluate on a regular basis whether the performance in transactions in derivative financial instruments is consistent with established managerial policies and whether they are within the Company's tolerability.
  - (III) Where the Company and its subsidiaries engages in transactions in derivative financial instruments by delegating the relevant personnel to proceed with the transactions in derivative financial instruments based on the Procedures to Engage in Transaction and Disposal of Derivatives, the actual performance shall be submitted to the most recent board of directors meeting.
  - (IV) For derivatives trading engaged by the Company and its subsidiaries, a memorandum book shall kept and record in details the type, amount, date of approval of Board of Directors, and matter to be prudently evaluated under Subparagraph (II) of Paragraph III, Subparagraphs (I) and (II) of Paragraph IV of this Article.

Article 14 Procedures for a merger, demerger, acquisition, or transfer of shares

- I. Appraisal and operational procedures
  - (I) Where the Company and its subsidiaries engages in merger, demerger, acquisition, or acceptance of transfer of another company's shares, the Company shall retain lawyer(s), Certified Public Accountant(s) and securities underwriters to jointly work out the statutory procedural timetable and shall further organize the Task Force into implementation at the statutory procedures. And the Company shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
  - (II) The Company and its subsidiaries shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Subparagraph I, Paragraph I of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Additionally, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
  - (III) Of the companies participating in merger, demerger, acquisition, or acceptance of transfer of another company's shares with the exchange-listed (over-the-counter)

stocks at the business venues of securities dealers, the Company and its subsidiaries shall work out integrated records in writing as enumerated below and archive them for five years ready for audit.

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.

II. Other key points for attention:

- (I) Dates to convene the board of directors meeting: Unless otherwise specified in laws and ordinances concerned or in case of an extraordinary factor approved by the Financial Supervisory Commission, Executive Yuan beforehand, the companies participating in merger, demerger, acquisition shall convene the shareholders' meetings and board of directors meetings on the same day to resolve the decision about merger, demerger, acquisition affairs. Unless otherwise specified in laws and ordinances concerned or in case of an extraordinary factor approved by the Financial Supervisory Commission, Executive Yuan beforehand, the companies participating in acceptance of transfer of another company's shares merger shall convene the board of directors meetings on the same day.
- (II) Commitment to confidentiality obligations beforehand Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Principles for stipulation and change in share swap ratios and acquisition prices: The companies participating merger, demerger, acquisition, or acceptance of transfer of another company's shares shall retain lawyer(s), Certified Public Accountant(s) and securities underwriters before the date when the board of directors meetings are convened by and between both parties to express opinions about the acquisition prices, cash to be allocated to shareholders or rationality of other assets and to be reported to the shareholders' meetings. Except for the ratio of transfer of shares or the acquisition price, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
  1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities
  2. An action, such as a disposal of major assets that affects the company's financial operations
  3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
  4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) Details to be recorded in the contract: The contract of the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
1. Handling of breach of contract
  2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  4. The manner of handling changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant resolved procedures
- (V) In case of a change in the number of companies participating in merger, demerger, acquisition, or acceptance of share transfer: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Where a company participating merger, demerger, acquisition, or acceptance of transfer of another company's shares is not a public company, the Company and its subsidiaries shall sign an agreement with that company with commitment to confidentiality obligations in accordance with the date to convene the board of directors meeting under Subparagraph (I), the commitment to confidentiality obligations beforehand under Subparagraph (II), the handling in case of a change in the number of companies participating in merger, demerger, acquisition, or acceptance of transfer of another company's shares under Subparagraph (V), Paragraph II of this Article.
- (VII) Those companies participating in merger, demerger, acquisition, or acceptance of transfer of another company's shares and in buys, sales of stocks at securities dealers shall declare through Internet system according to the statutory format the fundamental particulars of the personnel set forth under Subparagraph III, Paragraph I of this Article and date to convene the board of directors meeting within two (2) days after the decision is resolved in the Board of Directors.

Article 15 Procedure for public disclosure of information

- I. Items to be publicly announced and reported and standards for public announcement and report

- (I) Acquisition or disposal of real estate or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real estate or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises
- (II) Investment in Mainland China area.
- (III) Merger, demerger, acquisition, or transfer of shares.
- (IV) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (V) Where an asset transaction other than any of those referred to in the preceding four subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - 1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - 2. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of foreign government bonds, or of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business.
  - 3. Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises.
  - 4. In a case of acquisition or disposal of assets in the category of machinery & equipment or right-of-use assets thereof for business use, with the transaction counterparty is not a related party, in amount of transaction not in excess of NT\$500 million.
  - 5. Where real estate or the right-of-use thereof are acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.
- (VI) The amount of transactions in the above-mentioned Subparagraph (V) shall be calculated as follows and the term "within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
  - 1. The amount of any individual transaction.
  - 2. The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
  - 3. The cumulative transaction amount of real estate or right-of-use assets thereof acquisitions or disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
  - 4. The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

## II. Time limit for public announcement and report

Where the assets acquired or disposed of by the Company and its subsidiaries are attributed with the items to be promulgated under this Article with amount up to the standards/criteria for public announcement and filing, the Company shall launch public announcement and filing with the website designated by the competent authority within two days from date of occurrence of the fact. All issues to be announced to public shall be duly handled in accordance with the laws and ordinances concerned.

III. Procedures for public announcement and report

- (I) The Company shall duly conduct public announcement and filing of the relevant information through the website(s) designated by the competent authority(ies) in accordance with laws and ordinances concerned.
- (II) The Company shall, pursuant to laws and ordinances concerned, input the facts and performance of transactions in derivative financial instruments by the Company and subsidiaries not as public companies listed in the Republic of China as of the end of the preceding month into the information declaration website(s) designated by the competent authority(ies) not later than the 10<sup>th</sup> day of every month.
- (III) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPA, attorney, and securities underwriter at the Company, where they shall be retained for 5 years except where another law provides otherwise.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the competent authority within 2 days commencing immediately from the date of occurrence of the event:
  1. Change, termination, or rescission of a contract signed in regard to the original transaction.
  2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  3. Change to the originally publicly announced and reported information.

Article 16 With respect of the requirement of the Procedures for 10% of total assets, the amount of total assets stated in the entity or individual financial report for the most recent period prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used in the calculation.

Article 17 Where an employee of the Company and its subsidiaries proves in contravention of these Procedures in charge of acquisition or disposal of assets, the Company may conduct performance evaluation based on the Company's Personnel Management Regulations and Employee Handbook and impose penalty as the seriousness level may justify.

Article 18 Enforcement and amendment  
These Procedures shall be submitted to the shareholders' meeting for approval after being duly resolved in the Board of Directors. This same provision is applicable mutatis mutandis to an event of amendment. Where a director objects as backed with a record or a written declaration, the Company shall submit the objection data to the Company's Audit Committee. Where the Company has set up independent directors and when these Procedures are submitted into the Board of Directors for discussion, the opinions of the independent directors shall be taken into adequate consideration and their opinions, both pros and cons as well as the reasons thereof should be entered into the minutes of the meeting.

The Company has set up the Audit Committee. Enactment of or amendment to these Procedures shall be subject to consent by the entire Audit Committee members with one half majority vote and shall be submitted to the Board of Directors for approval. In the event that consent of by one half majority in the Audit Committee is not obtained, it may be resolved by at least two-thirds of the voting rights cast by all directors and the decision so resolved in the Audit Committee shall be expressly remarked onto the minutes of the board of directors meeting.

- Article 19 Any matter not provided herein shall be subject to relevant laws and regulations.
- I. The Company does not waive the privilege of capital increase in all years ahead in RBT Enterprises LTD, RBT Holdings LTD. (hereinafter referred to as RBT Holdings) and YEN MEI Enterprise Limited. RBT Holdings shall not waive the privilege of capital increase in all years ahead in Happy Lemon HK LTD, RBT Resources LTD, Xian Zong Lin Food & Beverage Management (Shanghai) CO.,LTD (hereinafter referred to as Shanghai RBT) and Freshtea Japan CO., LTD. Shanghai RBT shall not waive the privilege of capital increase in all years ahead in Happy Lemon Food & Beverage Management (Shanghai) CO.,LTD (hereinafter referred to as Shanghai Happy Lemon), Shanghai Tai Quan Trading CO., LTD. (hereinafter referred to as Shanghai Taiquan), Jia Qun Food & Beverage Management (Beijing) CO.,LTD, Zhan Cheng Food & Beverage Management (Guangzhou) CO.,LTD and You Xiang Food & Beverage Management (Shanghai) CO.,LTD. Shanghai Happy Lemon shall not waive the privilege of capital increase in all years ahead in Happy Lemon Food & Beverage Management (Chengdu) CO.,LTD.
  - II. In the future amidst strategic alliance or as approved by the Taipei Exchange (GreTai Securities Market or TPEx), any among the aforementioned company(ies) should waive the privilege of capital increase or disposal of the aforementioned company(ies), such a company(ies) shall call for a decision to be resolved in the Company's Board of Directors. In the event that the Operational Regulations are amended hereafter, such amendment shall be input into the significant information disclosure and shall be reported to the Taipei Exchange (GreTai Securities Market or TPEx) for information.

- Article 20 The procedures are duly enacted on July 11, 2012  
Amended on March 31, 2013 as the 1<sup>st</sup> amendment  
Amended on May 14, 2014 as the 2<sup>nd</sup> amendment.  
Amended on November 8, 2018 as the 3<sup>th</sup> amendment.  
Amended on January 10, 2019 as the 4<sup>th</sup> amendment.  
Amended on March 22, 2019 as the 5<sup>th</sup> amendment.  
Amended on November 11, 2019 as the 6<sup>th</sup> amendment.  
Amended on June 23, 2020 as the 7<sup>th</sup> amendment.  
Amended on July 8, 2021 as the 8<sup>th</sup> amendment.



## **Annex 5**

### **5. Procedures for Loaning Funds and Making Endorsements /Guarantees (Pre-amendment contents)**

#### **Chapter One General Provisions**

Article 1 These Operational Procedures are duly enacted with reference to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by the Financial Supervisory Commission, Executive Yuan.

Article 2 The Company and its subsidiaries may loan funds and render endorsements/guarantees exactly in accordance with these Operational Procedures, unless otherwise specified in finance related laws which shall prevail, if any.

The terms "subsidiary" and "parent company" as referred to in these Operational Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "net worth" in these Operational Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Chapter Two Lending of funds**

Article 3 Under Article 15 of the Company Act, the Company and its subsidiaries in Taiwan shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- I. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
- II. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40% of the lending enterprise's net worth.

The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.

The term "financing amount" as used in Subparagraph II, Paragraph I means the cumulative balance of the public company's short-term financing.

Funds loaned toward among subsidiaries not in Taiwan in 100% holding of voting power, or funds loaned by subsidiaries not in Taiwan in 100% holding of voting power by the Company toward the Company are free of the restrictions set forth under Subparagraph II, Paragraph I. Besides, pursuant to Articles 5 and 6, the funds shall be loaned per specified limits and pursuant to laws and ordinances concerned prevalent locally which shall prevail, if any.

Where the responsible person of a Company proves in contravention of provisions set forth under Paragraph I and the proviso, he or she shall team up with the loanee in re payment of the loan and to assume the responsibility to the Company for the impairment so incurred, if any.

Article 4 Where the Company and its subsidiaries intends to loan funds to other company(ies) or firm(s) in response to business transaction, the Company shall conduct prudential investigation over the credit standing of such company(ies) or firm(s) and check and make sure of whether the amount of the loan commensurate with the amount of business transactions.

Where the Company and its subsidiaries intends to grant loans in response to a need for short-term financing to others, the funds may be loaned only within those as enumerated below:

- I. By and among the Company and its subsidiaries holding shareholding up to 50% or more either directly or indirectly, and the companies where companies with shareholding up to 50% or more, falling in a need of financing

- II. Where such company(ies) or firm(s) is (are) in a need of short-term financing for purchase of raw materials or for working capital.

Article 5 The total amount of funds loaned by the company and its subsidiaries to others and the limits of individual objects are as follows:

- I. The total amount of funds lent to others by the company (Loaner) and its subsidiaries is limited to 40% of the company's (Loaner) net worth.
- II. If the company (Loaner) and its subsidiaries lend funds to others due to business transactions, the limit for individual objects shall not exceed the limit of the loaner company's most recent fiscal year and the amount of its purchases or sales, whichever is higher.
- I. If the loaner company and its subsidiaries lend funds to others due to the need for short-term financing, the limit for individual objects shall not exceed 20% of the loaner company's net worth.

Non-Taiwan subsidiaries of the company that directly and indirectly hold 100% of the voting shares or non-Taiwan subsidiaries of the company that directly and indirectly hold 100% of the voting shares are not subject to this restriction, but the limit for individual objects is the highest. The limit shall not exceed 80% of the loaner company's net value, and the total shall not exceed 100% of the loaner company's net value.

Article 6 Duration of financing and method to accrue interest:

- I. Duration: Each loan shall be in a duration not beyond one year maximum starting from the date when the loan is granted, and the duration shall not be extended.
- II. Interest rate and method to accrue interest:  
The annual interest rate shall not be lower than the short-term loans averaged in the banks as shown through the financial statements of the most recent term, with interest to accrue and payable on a monthly basis.
- III. The funds loaned by the Company toward subsidiaries not in Taiwan in 100% holding of voting power are free of the restrictions mentioned in the two preceding Paragraphs, provided, that the period of each loan security guard the date of loaning shall not exceed three years in maximum and may not accrue interest.

Article 7 The procedures to review and handling of funds to be loaned:

Prior to granting a loans to another, the Company and its subsidiaries shall conduct prudential evaluation whether the loan case would satisfy the requirements set forth under these Operational Procedures and the following review and evaluation outcomes shall be submitted to the Board of Directors for a resolution before implementation. Where the Company has set up independent director, while the an issue of the funds to be loaned to others in accordance with these Operational Procedures is reported to the Board of Directors for discussion, the opinions of independent directors should be taken into adequate account. Where an independent director objects or voices reserved opinion, such objection or opinion should be expressly entered into the minutes of the Board of Directors. The subsidiary may go ahead in execution after the Board of Directors resolves the decision and shall report to the Audit Committee/Board of Directors. This same provision is applicable mutatis mutandis to an event of amendment.

- I. In case of funds loaned by and among the Company and subsidiaries in 100% holding of

voting powers and by and among the Company and companies in 100% holding of voting powers, the chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to grant loans in installments or to make a revolving credit line available for the counterparty to draw down.

- II. In case of financing granted to an associate not as the parent company, subsidiary and company not in 100% holding of voting power either directly or indirectly, such financing shall, other than handling in accordance with the preceding Paragraph, be collateralized with one among the creditor's rights as enumerated below:
  - (I) Secured commercial promissory note of the equivalent amount.
  - (II) Adequate guarantee to be obtained from a guarantor of sound financial standing. Where the guarantor is a company, the Company shall check and make sure whether its Articles of Incorporation or minutes of board of directors meeting permit guarantee.
  - (III) As necessary, the Company shall obtain collateral of equivalent value and complete pledge or mortgage procedures for the collateral as the attribute may justify..
- III. While loaning funds, the Company shall set up the memorandum book to enter in detail the target loanees, amounts, dates when resolved in the Board of Directors, date of loan granting and facts of prudential evaluation under Subparagraphs I, II of this Article.
- IV. In case of a significant loan case, the case shall be submitted to and approved by the Company's Audit Committee and be submitted to the Board of Directors of the Company and its subsidiaries for resolution.
- V. The Company's internal auditors shall audit these Operational Procedures for Loaning Funds to Others and the implementation thereof on a quarterly basis as the minimum and shall work out documented records. In case of a significant offense noticed, the internal auditors shall keep the Company's audit committee informed forthwith in writing.
- VI. In case of a change in situations where the loanee proves inconsistent with these Operational Procedures or in excess of maximum limit, the Company shall work out corrective action plan and such corrective action plan shall be submitted to the Audit Committee of the Company so that the corrective action shall be completed within the specified time limit.

#### Article 8

The subsequent follow-up control measures for the amounts having been loaned: Procedures to manage overdue creditor's rights

After a loan is appropriated, the finance and accounting department shall regularly watch the financial conditions, business performance and relevant credit standing of the loanee and the guarantor(s). If collateral has been provided, the Company shall closely watch a potential change in the collateral value. In case of a significant change, the facts shall be reported to the chairman forthwith and countermeasures shall be taken exactly as instructed.

A loanee shall pay back both principal and interest of the loan upon expiring date of the loan. In case of violation, the loaning company may dispose of or claim payback with the provided collateral or guarantor(s).

A loanee shall pay back both principal and interest of the loan upon expiring date of the loan. In case of violation, the Company may dispose of or claim payback with the provided collateral or guarantor(s).

### **Chapter Three Endorsements/guarantees**

Article 9 Scope of endorsements/guarantees:

The term "endorsements/guarantees" as used in these Operational Procedures refers to the following:

- I. Financing endorsements/guarantees, including:
  - (I) Bill discount financing.
  - (II) Endorsement or guarantee made to meet the financing needs of another company.
  - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
- II. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company and its subsidiaries itself or another company with respect to customs duty matters
- III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs
- IV. Any creation by the Company and its subsidiaries of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also comply with these Operational Procedures.

Article 10 The Company and its subsidiaries may make endorsements/guarantees for the following companies:

- I. A company with which the Company does business.
- II. The company in which the Company or its subsidiaries directly and indirectly holds more than 50% of the voting shares.
- III. The company that directly and indirectly holds more than 50% of the voting shares in the Company or its subsidiaries.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amounts of endorsements/guarantees may not exceed 10% of the net worth of the Company in endorsements/guarantees, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Where the Company and its subsidiaries fulfill its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs. The term "offer of an investment" mentioned in the preceding Paragraph denotes offer of investment by the Company through 100% voting power.

Article 11 The standards and amounts of total liabilities, limits, tiered authorizations, etc. of the company and subsidiaries related to external endorsement and guarantee matters are as follows:

- I. The total accumulated external endorsement guarantee liability shall not exceed 50% of the current net value of the endorsement guarantee company.

- II. The limit of endorsement guarantee for a single enterprise shall not exceed 20% of the current net value of the endorsement guarantee company.
- III. If the company and its subsidiaries endorse others for business dealings, the limit of individual objects shall not exceed the limit of the company's latest fiscal year of the endorsement and the higher of its purchase or sales amount.
- IV. The amount of the endorsement guarantee between the company and its subsidiaries that directly or indirectly hold 100% of the voting shares and between the company directly and indirectly holds 100% of the voting shares is not restricted by the preceding three paragraphs. However, the maximum limit for individual objects is limited to not exceeding 100% of the net worth of the endorsement company, and the total amount is limited to not exceeding 300% of the net worth of the endorsing company.

The company or its subsidiary company must first pass the resolution of the board of directors before it can do it. However, in order to meet the needs of time limitation, the board of directors may authorize the chairman of the board to make the decision within 10% of the company's or subsidiary's net worth. Subsequent reporting to the most recent board of directors' ratification, the company's direct and indirect holding of more than 90% of the voting shares before an endorsement guarantee shall be submitted to the company's board of directors for a resolution before it can be processed; the company's direct and indirect Those who provide an endorsement or guarantee between companies that hold 100% of the voting shares may be subject to a decision by the executive director of the subsidiary.

When the company handles endorsement and guarantees that it is necessary to exceed the limit set in this operating procedure due to business needs, it should be approved by the board of directors and more than half of the directors should name and joint guarantee for the possible losses caused by the company exceeding the limit, and modify this operating procedure. The shareholders' meeting ratified it; if the shareholders' meeting disagrees, it shall formulate a plan to eliminate the excess portion within a certain period of time. When the company has set up independent directors, they shall fully consider the opinions of the independent directors when they endorse others. If independent directors have objections or reservations, they shall be stated in the minutes of the board of directors.

When the company and its subsidiaries have agreed that the total amount of endorsement guarantees exceeds 50% of the company's net worth, they shall explain its necessity and rationality at the company's shareholders meeting.

The amount of the endorsement guarantee, including the total amount of the company's endorsement guarantee and the amount of the single company's endorsement guarantee, and the company and its subsidiaries as a whole can be the total amount of the endorsement guarantee and the amount of the single company's endorsement guarantee.

#### Article 12 Review and handling procedures of endorsement guarantee:

Before hands-on start of endorsements/guarantees, the Company and its subsidiaries shall conduct prudential evaluation whether they would be consistent with these Operational Procedures and shall further pursuant to the delegation of authority table of the Company and its subsidiaries, render endorsements/guarantees through the relevant department head(s) through hierarchical responsibility rule.

- I. Among the Company and subsidiaries where it holds 100% voting power either directly or indirectly and the companies where the Company holds 100% voting power either directly or indirectly, the endorsements/guarantees shall be duly conducted in accordance with the preceding Paragraph.
- II. For the endorsements/guarantees to be rendered by the Company toward subsidiaries not in 100% voting powers held either directly or indirectly, the Company shall obtain the letter of application, descriptions of the target of endorsements/guarantees, reasons, amounts, duration to be viewed by the Finance Department and departments in charge of management through prudential evaluation. The items of evaluation shall include:
  - (I) The indispensability and rationality in endorsements/guarantees/
  - (II) Credit investigation and risk evaluation of the targets of endorsements/guarantees. (III) The potential impact upon the Company's operating risk, financial conditions and shareholders' equity.
  - (IV) Whether collateral should be obtained, and the value evaluated for the collateral.
- III. If the object of the endorsement guarantee is a subsidiary whose net value is less than one-half of the paid-in capital, the subsidiary shall formulate an operational improvement plan and submit it to the audit committee for approval and then be tracked by the company's finance department on a monthly basis. In case of clear objections from the audit committee and The objection should be included in the records of the board of directors, and other major financial, business and credit status changes should also be reported to the chairman of the company at any time, and be handled appropriately in accordance with the instructions. If the stock of the subsidiary has no denomination or the denomination per share is not NT\$10, the actual paid-in capital shall be calculated based on the total of share capital plus capital reserve-issuance premium.
- IV. For all issues linked up with endorsements/guarantees, the Company shall duly set up memorandum book where the targets of endorsements/guarantees, amounts, date of resolution by the Board of Directors, the date of implementation by the chairman, date of endorsements/guarantees and issues subject to prudential evaluation as mentioned in the preceding Paragraph shall be entered in detail.
- V. The Company's internal auditors shall audit these Operational Procedures and performance of endorsements/guarantees on a quarterly basis as minimum and shall work out written records and shall keep the Audit Committee informed of a significant default forthwith, if any.
- VI. In case of a change in situations where a target in endorsements/guarantees proves inconsistent with requirements or the endorsements/guarantees is found in excess of limit, the Company shall work out corrective action plan and submit it to the Audit Committee. The corrective action shall be completed as scheduled under the plan.
- VII. Where the Company renders endorsements/guarantees to a non-affiliated enterprise, the Company shall handle and review through these Operational Procedures and may go ahead after the case is approved by the Company's Audit Committee and Board of Directors.

Article 13 Procedures for the use and storage of seals

The company uses the company seal applied for registration with the competent authority as a special seal for endorsement and guarantee. The application procedures for storage and use shall be handled in accordance with the "Administrative Measures for the Use of Seals" established by the company.

#### **Chapter Four Public announcement and filing and disclosure of information**

Article 14 The term "public announcement and filing" as set forth herein denotes an act to declare the information regarding relevant information into the website of declaration designated by the competent authority.

Article 15

Public announcement and filing on loaning of funds

The Company shall, pursuant to, laws and ordinances concerned, launch public announcement and filing of the balances of the funds loaned by the Company and its subsidiaries not later than the 10<sup>th</sup> day of every month.

The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

- I. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
- II. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
- III. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the public company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Subparagraph III of the preceding paragraph.

Article 16

The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

- I. Where the aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
- II. Where the balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the public company's net worth as stated in its latest financial statement.
- III. Where the Company and its subsidiaries render(s) endorsements/guarantees to a single enterprise with balance in excess of NT\$10 million, in investment in equity method with total of book amount and balance of fund loaned in excess of 30% of the Company's net worth as shown through the most recent financial statements.
- IV. Where the amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% of the public company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Subparagraph IV of the preceding paragraph.

Article 17

Disclosure of information

Where the Company and its subsidiaries evaluates and recognizes a contingent loss in endorsements/guarantees, the Company shall conduct audit procedures as necessary and provide relevant information and data to the auditing Certified Public Accountant for audit procedures and shall disclose endorsements/guarantees related information through the financial statements. The Company and its subsidiaries shall duly evaluate the facts of funds loaned and appropriate adequate allowance for potential bad debts and shall duly disclose the relevant information and provide the supporting data to the certified public accountant(s) to implement the audit procedures as necessary.

**Chapter Five Supplementary provisions**

Article 18 Where the managerial officers and the personnel in charge of endorsements/guarantees prove in contravention of these Operational Procedures and, as a result, lead an impairment to the Company and its subsidiaries in a serious offense, the Company and its subsidiaries may impose penalty in accordance with the relevant disciplinary clauses and personnel rules or claim for indemnity.

Article 19 After the procedures have been approved by the Board of Directors, they shall be submitted to the shareholders' meeting for approval; the same applies when the procedures are amended. In the event that any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee. Where the position of independent directors has been created, when the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors, the Board of Directors shall take into full consideration each independent director's opinions. An objection or a reserved opinion by an independent director, if any, shall be expressly entered into the minutes of the board of directors meeting.

Where an audit committee has been established and when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

Article 20 These Operational Procedures are duly enacted on July 11, 2012  
Amended on March 31, 2013 as the 1<sup>st</sup> amendment  
Amended on May 14, 2014 as the 2<sup>nd</sup> amendment.  
Amended on November 8, 2018 as the 3<sup>rd</sup> amendment  
Amended on January 10, 2019 as the 4<sup>th</sup> amendment  
Amended on March 22, 2019 as the 5<sup>th</sup> amendment  
Amended on November 11, 2019 as the 6<sup>th</sup> amendment  
Amended on June 23, 2020 as the 7<sup>th</sup> amendment  
Amended on September 23, 2020 as the 8<sup>th</sup> amendment



## **Annex 6**

### **6. Procedures for Election of Directors and Supervisors**

Article 1 To ensure a just, fair, and open election of directors(including independent directors), these Procedures are adopted pursuant to Articles 21 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2 Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors (including independent directors) shall be conducted in accordance with these Procedures.

Article 3 The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

Basic requirements and values: Gender, age, nationality, and culture.

Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

The ability to make judgments about operations.

Accounting and financial analysis ability.

Business management ability.

Crisis management ability.

Knowledge of the industry.

An international market perspective.

Leadership ability.

Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.

Article 4 An independent director of a public company shall meet "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" Articles 2, 3, and 4. The election of independent directors at a public company shall meet "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" Articles 5, 6, 7, 8, 9, and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies Articles 24.

Article 5 Elections of directors (including independent directors) at this Corporation shall be conducted in accordance with the Company Act. This Corporation shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 95 of the Company Act with respect to nominee directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected

When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the

total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for GTSM Listing under Article 10, Paragraph 1 of the GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 6 The cumulative voting method shall be used for election of the directors and supervisors at this Corporation. Each share will have voting rights in number equal to the directors or supervisors to be elected, and may be cast for a single candidate or split among multiple candidates

Elections of directors (including independent directors) at this Corporation may choose to exercise their right to vote by electronic or live voting.

Those shareholders who exercise the right to vote by electronic voting in the preceding paragraph shall exercise it on the electronic voting platform designated by the company.

Article 7 The Board shall prepare the ballots the number of which shall be same as that of Directors and Independent Directors to be elected, and distribute the members attending the members' meeting the ballots which shall print the number of voting rights the respective member is entitled to. The name of a voter may be represented by his attendance card number as printed on his ballots.

Article 8 In the election of Directors and Independent Directors, the number of Directors and Independent Directors to be elected shall be in compliance with the number of the seats of Directors and Independent Directors set forth in the M&A, and the number of Independent Directors and non-Independent Directors elected shall be calculated separately. Those candidates who acquire more votes should win the seats of Directors or Independent Directors. If two or more candidates acquire the same number of votes and the number of electees would exceed the specified seats available had all of such candidates won the seats, such candidates acquiring the same number of votes shall draw lots to decide who should win the seats available, and the chairperson of the members' meeting shall draw lots on behalf of the candidate who is not present..

Article 9 At the beginning of the election, the chairperson of the members' meeting shall appoint several members for supervising the casting of votes ("Supervising Personnel") and the counting thereof ("Counting Personnel") to supervise the election and record the ballots. A ballot box used for voting shall be prepared by the Board and checked in public by the Supervising Personnel before voting.

Article 10 If the candidate is a member of the Company, voters shall specify in the "candidate" column the account name and the member account number of such candidates. If the candidate is not a member of the Company, voters shall specify in the "candidate" column the name and ID number of the candidate. If the candidate is a governmental or corporate member, the full name of the government agency or the corporate member or the full name of the government agency or the corporate member together with the name of their representative should be specified in the "name of candidate" column of the ballots. If there are several representatives, the name of each representative shall be specified in the "name of candidate" column of the ballots.

Article 11 A ballot shall be deemed null and void under any of the following conditions:

Using ballots not provided by the Board;

Placing blank ballots into the ballot box;

The handwriting on the ballots is too illegible to be identified, or erased or altered;

If the candidate is a member of the Company, the name or member account number of the candidate filled in the ballot being inconsistent with the members' roster. If the candidate is not a member of the Company, the name or ID number of the candidate filled in the ballot is incorrect after comparing with the record.

Ballots with other written characters or symbols in addition to the account name, member account number (or ID number) of the candidate and the number of votes cast for the candidate;

The name of the candidate filled in the ballots being the same as that of another member and the respective candidates' member account numbers or ID numbers not being indicated to distinguish them.

Article 12 The ballots should be counted during the meeting right after the voting is finished and the chairperson of the members' meeting shall announce the Directors and Independent Directors elected on the spot.

Article 13 The Board shall issue notifications of the election result to the Directors and Independent Directors elected.

Article 14 After the procedures have been approved by the Board of Directors, they shall be submitted to the shareholders' meeting for approval.

Article 15 These Operational Procedures are duly enacted on July 11, 2012 Amended on March 24, 2015 as the 1<sup>st</sup> amendment.

Amended on March 22, 2017 as the 2<sup>nd</sup> amendment.

## V. Holdings by Directors

As at the book close day of the Register of Members on April 14 2023, the no. of shares and percentage held by all Directors are as follows:

Title	Name	Date of Being Elected	Shareholding when Elected			Current Shareholding			Noted
			Type	Shares	%	Type	Shares	%	
Chairman	Wu, Po-Chao	2021.07.08	Common stock	5,316,930	14.56%	Common stock	5,316,930	14.86%	
Director	Chen, Yu-Chen	2021.07.08	Common stock	18,902	0.05%	Common stock	18,902	0.05%	
Director	YUMMY TOWN INTERNATIONAL LTD (Representative: Yen, Hsien-Ming)	2021.07.08	Common stock	6,878,683	18.84%	Common stock	6,878,683	19.22%	
Director	Wu, Hua-Zhao	2021.07.08	Common stock	460,659	1.26%	Common stock	285,659	0.80%	
Independent Director	Tu, Chi-Yao	2021.07.08	Common stock	0	0%	Common stock	0	0%	
Independent Director	Lin, Tzu-Kuan	2021.07.08	Common stock	0	0%	Common stock	0	0%	
Independent Director	Seetoo, Chia-Heng	2021.07.08	Common stock	0	0%	Common stock	0	0%	
Total			Common stock	12,675,174		Common stock	12,500,174		

Total no. of shares in issue till July 8, 2021: 36,505,216 shares

Total no. of shares in issue till April 14, 2023: 35,785,216 shares

Total no. of shares that must be held by all Directors under law: 3,600,000 shares ;

Total no. of shares in issue till as the book close day of the Register of Members on April 14 2023: 12,500,174 shares

Total no. of shares that must be held by all Supervisor under law: N/A\*

\* As the Company has set up an Audit Committee, this is not applicable.

## VI. Miscellaneous

### Proposals from shareholders for this shareholders' meeting:

According to Article 172-1 of the Company Act, any shareholders holding 1% or more of the issued shares may submit proposals in writing for discussions in a shareholders' meeting. However, each shareholder may only submit one proposal and the length of the document should be no more than 300 Chinese characters.

We accepted proposals from shareholders from March 27, 2023 to April 6, 2023 for the 2023 shareholders' meeting.

We did not receive any written proposals for the 2023 shareholders' meeting.