

# GRAND OCEAN RETAIL GROUP LIMITED

# 2019 Shareholders Meeting Meeting Handbook

Date: Jun 27, 2019

Location: No. 231, Sec. 2, Jianguo S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

(Jianguo Campus, School of Continuing Education, Chinese Culture University)

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# GRAND OCEAN RETAIL GROUP LIMITED

# 2019 Shareholders Meeting

# Meeting Procedure

- I. Start Meeting
- II. Chairman's Address
- III. Report Items
- IV. Recognition Items
- V. Topic Discussions
- VI. A.O.B.
- VII. Adjournment

#### GRAND OCEAN RETAIL GROUP LIMITED

# 2019 Shareholders Meeting

## Meeting Agenda

Time: 9:00AM, Jun 27(Thu), 2019

Location: No. 231, Sec. 2, Jianguo S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.) (International Conference Hall, Jianguo Campus, School of Continuing Education, Chinese Culture University)

- I. Start Meeting
- II. Chairman's Address
- III. Report Items
  - (I) 2018 Business Report
  - (II) 2018 Audit Committee Annual Financial Statement
  - (III) 2018 Rewards Distribution to Employees and Board Members Report
  - (IV) 2018 Total Amount of Procedures of Endorsement and Guarantee of Company Report
- IV. Recognition Items
  - (I) 2018 Business Report and Consolidated Financial Statements
  - (II) 2018 Earnings Distribution
- V. Topic Discussions
  - (I) Amendment to Certain Articles of "Articles of Incorporation"
  - (II) Amendment to Certain Articles of "Procedures of Acquisition and/or Disposal of Assets"
  - (III) Amendment to Certain Articles of "Procedures of Endorsement and Guarantee"
  - (IV) Amendment to Certain Articles of "Procedures of Loaning Capital to Others"
- VI. A.O.B.
- VII. Adjournment



## **Topic 1: 2018 Business Report**

Ladies and Gentlemen:

Thanks for everyone for your kindly support as well as encouragement to Grand Ocean Retail Group Limited for such a long time as always. We are honored to be on behalf of the whole operating team to present the operational results and development in 2018, as well as operational strategies in 2019:

#### 1 > 2018 Operational Results:

Annual consolidated operating revenues of the group in 2018 was NT\$6,457,831 thousand, which grew by an increase of 6.88% than NT\$6,041,927 thousand in 2017; net income after tax in 2018 was NT\$490,621 thousand, which grew by an increase of 44.82% than NT\$338,788 thousand in 2017; earnings per share in 2018 was NT\$2.71.

#### 2 \ 2018 Operational Development:

Chinese retail business has been involved into a continuous-changing phase since 2018. Grand Ocean Group has always enthusiastically evolved itself profoundly as a multi-industrial, cross-industrial, integrated, scenarized and coordinated complex. By the use of IT, Grand Ocean Group has eminently developed the quality sales, intelligent retail and cross-retail, aiming at providing the service with higher quality and efficiency, in order to meet the growing requirements daily for the consumers.

(1) As of 2018, we continue to perform the significant adjustment toward the rest part of Nanjing Xinjiekou storefront, where we'd like to keep approaching the completeness of scenario, and to improve the comfortability when shopping, as well as absorb more customers gathering and brands. So far the storefront has turned the tide from descending and revived. A whole new milestone is therefore marked representing that a full transformation of the operating idea of Grand Ocean has been a remarkable success. Meanwhile, Nanjing Jiangbei store has also launched the most enormous deployment ever since its opening, forging an innovative mall environment as well as the brand styles.



- (2) The business department stands on its ground to be aggressive and creative for the innovation. Where it has accomplished the brand upgrade at many stores. Also, as for the investment invitation, the business department coordinates sales performance and aims at marketing to therefore choose the corresponding customers, which makes the millennials become our new important customer source in the future. Moreover, numerous cosmetics of those top global brands are conducted(reloaded) into those sites to meet the market requirements (a sustainably growing trend of cosmetics sales can be seen), as well as refresh the image of our stores, arousing the customer flow at the same time. All these measures effectively maintain the stability of our business performance.
- Our group persists in advancing O2O strategy; meanwhile, POS system of Meituan
  Dianping has basically been deployed over all the stores, leading that Meituan
  coupons are more easily to use than ever. Furthermore, e-invoice has also become
  standardized at all the stores. And the online cooperation with e-commerce brand
  Jumei International Holding Limited has also achieved an extraordinary result
  beyond our expectation. Thus, we are planning to adopt this cooperation pattern to all
  our stores for the next step.

#### 3 · 2019 Operational Strategies:

In 2019, our company shall base on the new slogan "adjustment and metamorphosis, a success approached by drawing millennials; innovation as well as optimization, the legend everlasting by adhering market" to pursue reform further, and aggressively commence the jobs as below:

(1) Our mission is to treat the relations between commodity and retail store on the basis of humanity(consumer). In order to solve all the problems and requirements of humanity(consumer), the commodity and retail store must be arranged in a more



scientific way.

- (2) Overall planning as well as arrangements for all kinds of promotion activities at each store must be carried out. Including six of the longest vacation in China, *i.e.* Chinese New Year, May Day (Labor Day), Summer Sale, National Day, Anniversary and Christmas, where we shall discreetly scheme those projects, as well as drawing the focus on the arrangements for other vacations or artificial holidays. What the most important things are to grasp the point of marketing well, to control the expenditure for each project, to hold the market rhythm and purchase trend, as well as use all kinds of creative promotion activities gathering the customers. Thus the popularity can be pulled up to increase the bag-in rate, and sales performance can also be raised.
- (3) Based on the overall planning and deployment of our group, the adjustment works concerning project drafting and investment invitation in accordance with the scheme are included in: Fuzhou Dongjiekou store B1F and 6F, Fuzhou Classic store 2F, Nanjing Jiangbei store 1F and Hengyang store 2F 5F.
- (4) Change traditional thoughts, to broaden operating ideas. Each store has to make up the business strategy by its own depending on the real situations which it has been through, therefore to profoundly comprehend the quintessence of new vision, new knowledge as well as new scenario in the new era of retail, leading the business by service, brand, experience, scenario and nowhere up to date.
- (5) Under the policy of "better employee, simplified administration," our group persists with the systems of cadre checking as well as elite hiring, which would be an advantage to build a benignly-selecting system for us to engage the really outstanding personnel and improve the entire qualities of our cadre echelons, keeping training and perfecting their business skills without pausing at the same time. Thus, the total comprehensive qualities of the group can also steadily increase.

6





## GRAND OCEAN RETAIL GROUP LIMITED



Chairman: GUO RENHAO

Manager: HUANG QINGHAI



Accounting Supervisor: LI MINFANG





# **Topic 2: 2018 Audit Committee Annual Financial Statement**Audit Committee Audit Reports

The board has prepared the 2018 business report and consolidated financial statements, wherein the latter ones have been authorized to the KPMG Taiwan accountants Lian Shuling as well as Lai Lizhen and accomplished; the audit reports are issued here. Business report, consolidated financial statements and earnings distribution bill as above have been checked by the audit committee, and incompatibility is not yet found. Thus Article 14.4 of Securities Exchange Act as well as Article 219 of Company Act of R.O.C. are to be adopted for the report, please be informed.

# Sincerely

GRAND OCEAN RETAIL GROUP LIMITED

2019 Shareholders Meeting

GRAND OCEAN RETAIL GROUP LIMITED

Audit Committee Coordinator: YEE SWEE CHOON



March 28, 2019



# Topic 3: 2018 Rewards Distribution to Employees and Board Members Report

Board's Proposals

Descriptions:

- I. In accordance with the articles of the company, amounts of the rewards to employees and board members are listed as below, and shall be distributed by cash:
  - (I) Employee Rewards: 1.011% contributed, totally NT\$7,800,000.
  - (II) Board Member Rewards: 0.506% contributed, totally NT\$3,900,000.
- II. An estimate at NT\$7,711,897 for employee rewards is made in the financial statements 2018 of the company, and the board drafts the proposal to distribute NT\$7,800,000 for the rewards, where the difference of amount is NT\$88,103 increased.
- III. An estimate at NT\$3,855,948 for board member rewards is made in the 2018 financial statements of the company, and the board drafts the proposal to distribute NT\$3,900,000 for the rewards, where the difference of amount is NT\$44,052 increased.
- IV. Reason for Difference: The estimated difference of amount recognized at the end of 2018.
- V. Treatment: The actual distributed amount shall be resolved in the 2019 board meeting; if there is any deviation with the 2018 financial statements, then it will be seen as the changes in accounting estimates, and be recognized as the profit or loss in 2019.



# **Topic 4: Total Amount of Procedures of Endorsement and Guarantee of Company Report**

Board's Proposals

Descriptions:

- I. According to Article 3 of Procedures of Endorsement and Guarantee of the company, the total amount of the total amount of endorsement and guarantee is valid only when referred to the latest financial statements.
- II. In accordance with Article 12 of "Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies," the operating procedures of endorsements or guarantees must be detailed with the total amount of capital lending from the public company and its subsidiaries to the individual incorporation when stipulating. Also, if the total amount above approaches 50% net worth of this public company, its necessity and rationality must be explained in the board meeting.
- III. Major reasons and essentialities of the company are as below:

The Board of the Company had proposed an amendment to

Procedures of Endorsements/Guarantees of the Company, exactly defining that a limitation of the total amount of endorsement/guarantee by the Company and its subsidiaries is at 50% of the net worth of the Company toward a single incorporation, which shall wait for the ratification through the 2019 Shareholders Meeting.



## **Topic 1: 2018 Business Report and Consolidated Financial Statements**

Board's Proposals Descriptions:

- I. The board has passed the resolution of the 2018 consolidated financial statements, and authorizes the KPMG Taiwan accountants Lian Shuling as well as Lai Lizhen, to perform the audit, having been fulfilled. Consequently, the consolidated statements will be submitted to the audit committee along with the business report for further check, and the written check report is to be documented.
- II. For the business report, please refer to page 4~7 in this handbook; for the audit report, consolidated income statement, consolidated statement of changes in shareholders' equity, as well as consolidated statement of cash flows, please refer to page12~26 in this handbook.
- III. Please be informed for recognition.

Resolution:



#### **Accountant's Audit Reports**

#### TO THE BOARD OF GRAND OCEAN RETAIL GROUP LTD.:

#### **Audit Comment**

Consolidated balance sheet as of the end of 2018 and Dec 31, 2017, consolidated income statement, statement of changes in shareholders' equity and statement of cash flows as of the end of 2018 and from Jan 1, 2017 till Dec 31, 2017, as well as note of consolidated financial statements (summary of material accounting policy included) of GRAND OCEAN RETAIL GROUP LTD. and relational subsidiaries (GRAND OCEAN RETAIL GROUP) have been audited and completed via the accountant.

According to the accountant's comment, all the material events in the consolidated financial statements as described above comply with Criteria Governing the Preparation of Financial Reports by Securities Firms as well as validated International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Standing Interpretations Committee (SIC) Interpretations by Financial Supervisory Commission, R.O.C. (Taiwan), which are legitimate and appropriate to represent the consolidated financial status as of the end of 2018 and Dec 31, 2017, as well as the consolidated financial performance and cash flows as of the end of 2018 and from Jan 1, 2017 till Dec 31, 2017.

#### **Foundation of Audit Comment**

The accountant complies with Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants as well as Generally Accepted Auditing Standards (GAAS) to perform the audit. Obligations due to those rules or standards for the accountant shall be further explained in the contents concerning obligation in the consolidated financial statements. As the staff belonging to the accountancy firm subject to criteria of independence, the accountant has complied with the code of professional ethics and been detached from the GRAND OCEAN RETAIL GROUP to fulfill all the obligations of the code. The accountant is confident that the foundations of the audit comment has been built through sufficient and proper audit evidence. Critical Audit Matters (CAM)

CAMs is the most important audit upon the consolidated financial statements of GRAND OCEAN RETAIL GROUP in 2018 in accordance with the professional assessment of the accountant. Wherein this matter has been responded to in the whole consolidated financial statements as well as the procedure of audit commenting, the accountant will not comment on such single matter. CAM which should be listed in the audit reports on the basis of the accountant's judgement are as follows:

I. Impairment of Goodwill and Trademark Rights

Concerning the recognized accounting policy, please refer to Note IV (xiv) "Impairment of Non-financial Assets" in the consolidated financial statements; concerning the accounting assessment for the impairment of goodwill and intangible assets, as well as assumptive uncertainty, please see Note V (ii); as for the impairment assessment details for the goodwill and intangible assets, please refer to Note VI (vii) "Intangible Assets" in the consolidated financial statements.



#### Description of CAMs:

The total carrying amount for intangible assets of GRAND OCEAN RETAIL GROUP is approximate to 9% as of Dec 31, 2018. Where its major composition derives from the goodwill as well as trademark rights generated through the acquisition of Grand Ocean Department Store Group in 2006. Because the retail business has been impacted by slowly-developed economics and online shopping, it has become a tough challenge to keep profitable income. As a result, the goodwill and trademark rights generated through the acquisition of Grand Ocean Department Store Group by the GRAND OCEAN RETAIL GROUP are also influenced and there is also the doubt about whether or not the carrying amount of operating assets can exceed the recoverable amount of the former assets. Management echelon in the GRANDOCEAN RETAIL GROUP should accord with IAS 36"Impairment of Assets" to evaluate the present discounted value (PDV) of future cash flows of the department store in order to confirm the recoverable amount of the former assets. Because the judgment upon the PDV of the future cash flows by the management echelon concerns the objective aspect and possesses high assumption uncertainty, leading the goodwill and trademark rights exposed under the risk of overestimation toward the carrying amount of operating assets. Hence the accountant shall see the assessment of impairment of assets of the former assets as a CAM for consolidated financial statements on the audit procedure.

#### Corresponding Audit Procedure:

Professional questioning is to arise for the assessment module of impaired assets by the management echelon in the GRAND OCEAN RETAIL GROUP toward the evaluation due to whether or not the management echelon can fully identify each cash generating unit which might be impaired, as well as considering whether or not all the assets which need impairment test have been taken into the assessment procedure. Reviewing each financial assumption of the management echelon (such as residual maturity of assets, increase rate of revenue, deduction rate of joint operation, revenue increase rate from other businesses, income tax, depreciation and amortization, operating capital, capital expenditure, etc.), and verifying assumption rationality as well as calculation precision of the management echelon in accordance with concerning information acquired. Additionally, reviewing if the disclosure of impaired assets as described above by the GRAND OCEAN RETAIL GROUP meets the truth or not.

#### II. Impairment of Assets

Concerning the recognized accounting policy, please refer to Note IV (xiv) "Impairment of Non-financial Assets" in the consolidated financial statements; wherein the accounting assessment and assumptive uncertainty of impairment can be referred to Note V (xiv) "Property, Plants and Equipment"; as for the details, please refer to Note VI (vi) "Property, Plants and Equipment."

#### Description of CAMs:

The carrying amount of the GRAND OCEAN RETAIL GROUP for property, plants and equipment is approximately 32% of the total assets as of Dec 31, 2018. Where its major composition derives from the goodwill as well as trademark rights generated through the



acquisition of Grand Ocean Department Store Group. Because the retail business has been impacted by slowly-developed economics and online shopping, it has become a tough challenge to keep profitable income. As a result, the doubt toward the GRAND OCEAN RETAIL GROUP also arouses about whether or not the carrying amount of operating assets can exceed the recoverable amount of the former assets. Management echelon in the GRANDOCEAN RETAIL GROUP should accord with IAS 36"Impairment of Assets" to evaluate the PDV of future cash flows of the department store in order to confirm the recoverable amount of the former assets. Because the judgment upon the PDV of the future cash flows by the management echelon concerns objective aspect and possesses high assumption uncertainty, leading the carrying amount of operating assets exposed under the risk of an over-estimation toward the carrying amount of the operating assets. Hence the accountant shall see the assessment of impairment of assets of the former assets as a CAM for consolidated financial statements of the audit procedure.

Corresponding Audit Procedure:

Professional questioning is to arise for the assessment module of impaired assets by the management echelon in the GRAND OCEAN RETAIL GROUP toward the evaluation due to whether or not the management echelon can fully identify each cash generating unit which might be impaired, as well as considering whether or not all the assets which need impairment test have been taken into the assessment procedure. Reviewing each financial assumption of the management echelon (such as residual maturity of assets, increase rate of revenue, deduction rate of joint operation, revenue increase rate from other businesses, income tax, depreciation and amortization, operating capital, capital expenditure, etc.), and verifying assumption rationality as well as calculation precision of the management echelon in accordance with concerning information acquired. Additionally, reviewing if the disclosure of impaired assets as described above by the GRAND OCEAN RETAIL GROUP meets the truth or not.

#### III. Recoverability of Other Receivables

Concerning the recognized accounting policy, please refer to Note VI (iii) "Financial Instrument" in the consolidated financial statements; as for the details, please refer to Note VI (vi) "Accounts Receivable and Other Receivables."

Description of CAMs:

Subject to the overall economic distress as well as intense peer competition in China, the GRAND OCEAN RETAIL GROUP has ceased part of the investments. Other unrecovered receivables transferred from pre-payment for investments in the account as of Dec 31, 2018 was up to NT\$725,119 thousand, possessing 3% of the total assets. Because recoverability of the other receivables concerns the evaluation about the value of the collateral acquired by the group as well as the progress of disposed assets from debtor. Hence, this assessment will be listed into the highly concerned matters in the financial audit report from the accountant. Corresponding Audit Procedure:

In accordance with the recoverability assessment for other receivables, the accountant is to obtain the relational documents from the management echelon to see if the collateral value is satisfied or not, as well as examining the control point concerning receipts of the group and then reviewing the records of subsequent receipt. Thus the rationality of accounting for allowance for doubtful debts as well as amounts of the group can be assessed.

Obligation to Consolidated Financial Statements by the Management Echelon and Governing Body

Obligation of the management echelon comply with Criteria Governing the Preparation of



Financial Reports by the Securities Firms as well as validated IFRSs, IASs, IFRIC Interpretations and SIC Interpretations by Financial Supervisory Commission, R.O.C. (Taiwan), which are legitimate and appropriate to present the consolidated financial statements, as well as maintaining the necessary internal control of statements preparation to ensure there shall be no material misstatements because of the corrupt or mistaken.

Besides, the other obligations of management also include evaluating the capability of the going concern and the related disclosure of the GRAND OCEAN RETAIL GROUP, as well as the conduct of accounting basis of going concern while compiling the consolidated financial statements. Unless the management intends to liquidate the GRAND OCEAN RETAIL GROUP or to discontinue or none of the other practical solutions can be proposed but only liquidation or discontinuity.

The governing body (audit committee included) of the GRAND OCEAN RETAIL GROUP is obliged to supervise the process of financial reports.

#### **Obligation of Accountant to Consolidated Financial Statements**

Purpose on this consolidated financial statements by the accountant is to acquire the reasonable assurance for confirming if there is any material misstatement launched due to the corruption or mistakes in the statements overall and to provide the audit report. Reasonable assurance is the high assurance. Yet the audit in accordance with GAAS still cannot guarantee to seek out every existing material misstatement in the financial statements. Where the material misstatement may be caused by the corruption or mistakes. Any individual amount or summary number which can be reasonably expected of the material misstatement will influence the economic decision of the user who has viewed the statements. Thus, it will be considered as being material.

The accountant shall comply with GAAS to perform the audit, and conduct the professional judgement to maintain the doubt out of the specialty. The accountant shall also perform the works as follows:

- 1. To identify and assess the material misstatements caused by the corrupt or mistaken in the consolidated financial statements; to design and execute the appropriately corresponding countermeasures toward the risks which have been assessed, and to acquire sufficient and proper evidences as the foundation of audit comments. Because the corruption may have behind it a conspiracy, forgery, malicious omission, fraudulent statement as well as internal control transgression involved, the risks of the reasons of misinterpretation for a major misstatement caused by the corruption is higher than those caused by the mistakes.
- 2. To understand the necessity concerning the audit for acquiring internal control in order to design a proper procedure for the audit under these circumstances. Where the purpose is not to comment toward the internal control of the GRAND OCEAN RETAIL GROUP.
- 3. To assess the appropriateness of the accounting policies applied by management, as well as rationality of the accounting estimates and related disclosure.
- 4. Based on the acquired evidences of the audit to conclude the appropriateness of the conduct of the accounting basis of a going concern by the management, as well as confirming if there is any possibility of major uncertainty of any event or matter which may result in material doubts about the capability of an ongoing concern of the GRAND OCEAN RETAIL GROUP The account believes that attention must be awaken in the audit reports about relational disclosure in the consolidated financial statements to remind the user or the audit comment for a revision is to be made once any inappropriateness concerning the disclosure is found. The conclusions of the accountant will be made based on the evidences acquired until the report date from the audit. Nevertheless, certain future events or matters may still result in disabling the GRAND OCEAN RETAIL GROUP to possess the capability of going concern.
- 5. To assess the completeness, structure and content of the consolidated financial statements (relational notes included), as well as confirming if the statements are proper enough to present every related transaction or event.
- 6. To acquire sufficient and appropriate evidences for the audit about financial information of entity



## **Recognition Items**

in the group, and to comment on the consolidated financial statements. The accountant is obliged to instruct, supervise and execute the audit case of the group and to comment about the group based on the audit conclusion.

The communication items between the accountant and the governing body include range and time based on the audit plan as well as material discoveries of the audit (including the significant deficiencies identified from the audit procedure from internal control).

The accountant has also provided the independence statement to the governing body concerning the staff belonging to the same accountancy firm as the accountant does has followed the code of professional ethics of accountant. Also, the accountant has communicated with the governing body about any other concern or matter which might possibly influence the independence of the accountant (concerning protective measure included).

Due to the communication items with the governing body, the accountant decides to launch the consolidated financial statements of the GRAND OCEAN RETAIL GROUP in 2018 as a CAM. The accountant shall not communicate the specific items while interpreting certain matters in the audit report unless the statute does not allow the disclosure of specific items, or under any extremely rare circumstance. Because it is reasonable to expect that the negative impact of this communication will be stronger than public interest improvement.

**KPMG** Taiwan

Lai Li-Chen

Accountant:

Lien Shu-Ling

Securities (2000) TWSE Letter (VI)

Authority : No.62474

Approval No. FSC Letter VI No.0940100754

Mar 28, 2019



Currency: NTD (thousand)

# **Recognition Items**

GRAND OCEAN RETAIL GROUP KID, and Relational Subsidiarie: Aggregate Blonce Sheet As of the End of 2018, and Dec 31, 2017
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	Assets	Dec 31, 2018 Amount	, 2018 it %	1	Dec 31, 2017 Amount %	vel	7	Liabilities and Equity	Dec 31, 2018 Amount %	Dec 31, 2017 Amount 9	%
	Current Assets:						Curr	Current Liabilities:			
1100	Cash and Cash Equivalents (Note VI (i) )	\$ 5,039,511		24 6,	6,242,265	29 2100		Short-term Loans (Note VI (ix) )	\$ 1,830,238 9	1,069,018	2
1110	Financial Assets Measured at Fair Value through Profit or Loss - Current (Note		71,167 -		86,678	. 2171		Accounts Payable (Note VI (xi))	3,650,712 17	4,160,424	19
	VI (ii))					2219		Other Payables (Note VI (ii), (vi), (xiii), (xix) and VII)	1,083,254 5	757,438	3
1136	Financial Assets Measured at Amortized Cost - Current (Note VI (ii) &VIII)	460	460,800	2		. 2230		Current Tax Liabilities	130,909	33,660	T .
1170	Accounts Receivable of Net Amount (Note VI (iii) )	339	339,792	2	297,263	1 2310		Accounts Received in Advance	e e	97,652	-
1200	Other Receivables (Note VI (iii) &VII)	1,028,591	165'	5 1,	,078,268	5 2322		Long-term Loans – Current Position (Note VI (x) )	453,061 2	2,928,530	14
1300	Inventories - Merchandising Business	261	261,899	_	213,588	1 2323		Long-term Payables - Current Position (Note VI (xii) )	46,545 -	61,389	
1410	Pre-payments (Note VI (xii) &VII)	426	426,861	2	544,603	3			7,194,719 34	9,108,111	42
1461	Non-current Assets Held for Sale (Note VI (iv) )	31	31,910 -				Non	Non-current Liabilities:			
1476	Other Financial Assets - Current (Note VI (viii) and VIII)	34	34,806 -		37,713 -	2541		Long-term Loans of Bank (Note VI (x) )	1,879,857 9	974,949	4
		7,695,337		36 8,	8,503,378	39 2570		Deferred Tax Liabilities (Note VI (xiv) )	- 61,487	121,378	Н
	Non-current Assets:					2612		Long-term Payables (Note VI (xii) )	1,399,021 7	1,538,580	7
1550	Investments by Equity Method (Note VI (v) )	ī	•		45,537 -	. 2645		Deposit Received	569,691 3	509,523	2
1600	Property, Plants and Equipment (Note VI (vi), VII&VIII)	6,624,600		32 6,	6,868,394	31			3,910,056 19	3,144,430	14
1780	Intangible Assets (Note VI (vii) )	1,838,929	6763	9 1,	762,688,	8		Total Liabilities:	11,104,775 53	12,252,541	99
1840	Deferred Tax Assets (Note VI (xiv))	518	518,633	61	416,784	2					
1915	Pre-payments for Equipment (Note VI&IX)	613	613,494	3	555,259	3	Equ	Equity of Owner of Parent Company (Note VI (xiv) ):			
1980	Other Financial Assets - Non-current (Note VI (viii) and VII)	249	249,208	_	245,420	1 3100		Share Capital	1,974,690 9	1,994,990	6
1985	Long-term Pre-paid Rent (Note VI (xii) )	3,279,198		16 3,	3,532,814	16 3200	- 1	Additional Paid-in Capital	5,092,360 24	5,144,696	23
1995	Other Non-current Assets (Note VI (xv) and VII)	1115	115,276	_	1	3310		Legal Reserve	530,710 3	496,515	7
		13,239,338		64 13,	13,504,005	61 3320		Appropriated Retained Earnings	554,374 3	310	
						3350		Retained Earnings	2,623,666 13	2,984,983	14
						3400		Other Equity	(742,835) (4)	(554,374)	(3)
						3500		Treasury Stock	(203,369) (1)	(316,999)	(1)
								Sub-total of Shareholders' Equity	9,829,596 47	9,749,811	4
						36XX		Non-controlling Interest	304 -	5,031	
								Total Equity	9,829,900 47	9,754,842	4
	Total Assets	\$ 20,934	20,934,675 100		22,007,383p 100	<u>ම</u>	Tota	Total Liabilities and Equity	\$ 20,934,675 100	22,007,383	100

(please refer to the note for details attachesing)

Manager: HUANG QINGHAI **P诗**~4~



Currency: RMB (thousand)

GRAND OCEAN RETAIL GROUP DUD and Relational Subsidiaries As of the End of 2018, and Dec 31, 2017 We Barance Sheet

Equity of Owner of Parent Company (Note VI (xiv) ):

Total Liabilities:

Deposit Received

2612

31

1,507,034

1,480,011 32

Property, Plants and Equipment (Note VI (vi), VII&VIII)

Investments by Equity Method (Note VI (v) )

1550 1780 1840 1915 1980 1985

Non-current Assets:

410,838 115,869

9,992 403,680 91,449

2570

2541

1,865,775

36

1,719,226

Appropriated Retained Earnings

3320 3350

2,957,820 64

Retained Earnings

Treasury Stock

Other Equity

3400

Additional Paid-in Capital

Share Capital

3100 3200 3310

53,849

Other Financial Assets - Non-current (Note VI (viii) and VII)

Pre-payments for Equipment (Note VI&IX)

Deferred Tax Assets (Note VI (xiv))

Intangible Assets (Note VI (vii) )

Other Non-current Assets (Note VI (xv) and VII)

Long-term Pre-paid Rent (Note VI (xii) )

121,832

137,062 55,676 16 19

775,155 2,962,991

732,610 16

Legal Reserve

Long-term Payables – Current Position (Note VI (xii) )

Long-term Loans of Bank (Note VI (x) ) Deferred Tax Liabilities (Note VI (xiv) ) Long-term Payables (Note VI (xii))

Non-current Liabilities:

8,275 -

7,776

Other Financial Assets - Current (Note VI (viii) and VIII)

Non-current Assets Held for Sale (Note VI (iv) )

Pre-payments (Note VI (xii) &VII)

119,494

Long-term Loans - Current Position (Note VI (x))

Accounts Received in Advance

Current Tax Liabilities

Other Payables (Note VI (ii), (vi), (xiii), (xix) and VII)

2219 2230 2310 2322

102,948 75,914 58,511 95,366 7,129

65,224

236,589 46,865

229,799

Accounts Payable (Note VI (xi) ) Short-term Loans (Note VI (ix))

Liabilities and Equity

Current Liabilities:

29

1,369,651

24

1,125,884

19,677

15,899

Financial Assets Measured at Fair Value through Profit or Loss - Current (Note

Cash and Cash Equivalents (Note VI (i) )

1100

Financial Assets Measured at Amortized Cost - Current (Note VI (ii) &VIII)

VI (ii) )

1136 1170 1200 1300 1410 1461

Accounts Receivable of Net Amount (Note VI (iii) )

Other Receivables (Note VI (iii) &VII) Inventories - Merchandising Business

2017.12.31

2018.12.31

Amnount

Amount

2,196,045 47 2,139,262 44	68 - 1,104 -	2,196,113 47 2,140,366 44	\$ 4,677,046 100 4,828,766 100	
Sub-total of Shareholders' Equity	36XX Non-controlling Interest	Total Equity	Total Liabilities and Equity	
			\$ 4,677,046 100 4,828,766 100	



Total Assets

Chairman: GUO RENHAO

(please refer to the note for details attachedn 前 Accounti Manager: HUANG QINGHAI 即済

Accounting Supervisor: LI MINFANG



GRAND OCEAN RETAIL GROUP LED and Relational Subsidiaries

Consolidated Income Statement
As of the End of 2018 and from Jan 1 2017 to Dec 31, 2017

	Then Island	Cu 2018	rrency	NTD (thousand	nd)
		Amount	%	Amount	%
4000	Operating Revenues (Note VI (xvii) & (xviii) )	\$ 6,457,831		6,041,927	100
5000	Operating Costs	1,442,685		1,282,716	21
	Gross Profit	5,015,146		4,759,211	79
6000	Operating Expenses (Note VI (vi), (vii), (xii), (xiii), (xix) and VII)	4,037,506		3,873,411	64
	Operating Income	977,640	15	885,800	15
	Non-operating Income and Expenses:	· · · · · · · · · · · · · · · · · · ·	1-1111173		
7010	Other Revenues (Note VI (xx) and VII)	67,135	1	142,123	2
7020	Other Gains and Losses (Note VI (iv), (vi) and (xx))	(106,224)	(2)	(284,180)	(5)
7050	Financial Costs (Note VI (xx))	(147,907)		(121,801)	(2)
7060	Share of Profit of Associates Accounted for Using the Equity Method (Note VI (v))		-	(6,178)	-
7055	Expected Credit Losses (Note VI (iii))	(18,955)	-	-	_
		(218,018)		(270,036)	(5)
7900	Earnings before Tax	759,622	V. 1	615,764	10
7950	Deduction: Income Tax Expenses (Note VI (xiv) )	269,001		276,976	5
1330	Current Net Income	490,621	8	338,788	5
8300	Other Comprehensive Income:	150,021	- 0	330,700	
8310	Items that will Not be Re-classified Subsequently to Profit or				
0310	Loss				
8314	Equity Directly Concerns Non-current Assets Held for Sale	4,201		_	_
8349	Income Tax of Items that will Not be Reclassified	4,201		-	=
0343	income tax of items that will two be rectassified	4,201	-	-	-
8360	Items that may be Re-classified Subsequently to Profit or Loss	7,201	15		
8361	Exchange Difference on Translation of Foreign Operations (Note	(191,255)	(3)	(71,002)	(1)
	VI (xv))		(3)	(71,002)	(1)
8365	Equity Directly Concerns Non-current Assets Held for Sale	(1,410)	-	12	-
8370	Share of Other Profit of Associates Accounted for Using the Equity Method (Note VI (v) and (xv))	92	=	(1,830)	2
8399	Income Tax of Items that may be Re-classified	8- <b>7</b> .	5	1870	-
	Sum of Items that may be Re-classified Subsequently to Profit or Loss	(192,665)	(3)	(72,832)	(1)
8300	Current Other Comprehensive Income (net income after tax)	(188,464)	(3)	(72,832)	(1)
0000	Current Total Comprehensive Income	\$ 302.157		265,956	4
	Net Income Attributed to:				
8610	Parent Company	\$ 495,345	8	341,947	5
8620	Non-controlling Interest	(4,724)	_	(3,159)	- 155
	2 (va. 10mg va.mg m.v. 100	\$ 490,621	8	338,788	5
	Comprehensive Income Attributed to:	* 17 0 10 2 2		550,100	
8710	Parent Company	\$ 306,884	5	269,318	4
8720	Non-controlling Interest	(4,727)	_	(3,362)	
0,20	- COLO CAMANA AREA OVE	\$ 302,157		265,956	4
	Earnings per Share (Note VI (xvi))	<u> </u>	3	200,700	
9750	Basic Earnings per Share (deficit) (NTD)	\$	2.71		1.87
9850	Diluted Earnings per Share (deficit) (NTD)	\$	2.70		1.87
2030	Dudge Parinings her pirare (acutif) (1/1D)	Ψ	2.70		1.0/

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENHA Manager: HUANG QI Accounting Supervisor LI MINFANG



GRAND OCEAN RETAIL GROUP DED, and Relational Subsidiaries

As of the End of 2018 and from Jan, 2017 to Dec 31, 2017

	Dan Isla		Cur	rency:	RMB (thousa	nd)
			2018		2017	
			Amount	%	Amount	%
4000	Operating Revenues (Note VI (xvii) & (xviii) )	\$	1,416,301	100	1,341,816	100
5000	Operating Costs		316,403	22	284,871	21
	Gross Profit		1,099,898	78	1,056,945	79
6000	Operating Expenses (Note VI (vi), (vii), (xii), (xiii), (xix) and VII)	<u> </u>	885,487	63	860,223	64
	Operating Income		214,411	15	196,722	15
	Non-operating Income and Expenses:					
7010	Other Revenues (Note VI (xx) and VII)		14,724	1	31,563	2
7020	Other Gains and Losses (Note VI (iv), (vi) and (xx))		(23,296)	(2)	(63,112)	(5)
7050	Financial Costs (Note VI (xx) )		(32,438)	(2)	(27,050)	(2)
7060	Share of Profit of Associates Accounted for Using the Equity Method (Note VI (v))		(2,647)	-	(1,372)	-
7055	Expected Credit Losses (Note VI (iii) )	_	(4,157)	-	-	
		_	(47,814)	(3)	(59,971)	(5)
7900	Earnings before Tax		166,597	12	136,751	10
7950	Deduction: Income Tax Expenses (Note VI (xiv) )	_	58,996	4	61,511	5
	Current Net Income		107,601	8	75,240	5
8300	Other Comprehensive Income:					
8310	Items that will Not be Re-classified Subsequently to Profit or Loss					
8314	Equity Directly Concerns Non-current Assets Held for Sale		921	=	6. <del>1</del> 0	-
8349	Income Tax of Items that will Not be Reclassified	10-	-	-	•	
		1	921	-	1 <del>4</del> 8	
8360	Items that may be Re-classified Subsequently to Profit or Loss					
8361	Exchange Difference on Translation of Foreign Operations (Note VI (xv) )		(3,466)	-	27,997	2
8365	Equity Directly Concerns Non-current Assets Held for Sale		(309)	-	8 <b>4</b> 8	-
8370	Share of Other Profit of Associates Accounted for Using the Equity Method (Note VI (v) and (xv) )		-	-	(406)	Ī
8399	Income Tax of Items that may be Re-classified		9. <del>5</del> 9	=	876	
	Sum of Items that may be Re-classified Subsequently to Profit or Loss	_	(3,775)	-	27,591	2
8300	Current Other Comprehensive Income (net income after tax)	_	(2,854)	-	27,591	2
	Current Total Comprehensive Income	\$	104,747	8	102,831	
	Net Income Attributed to:					
8610	Parent Company	\$	108,637	8	75,941	5
8620	Non-controlling Interest	i i	(1,036)	=	(701)	
		\$	107,601	8	75,240	5
	Comprehensive Income Attributed to:					
8710	Parent Company	\$	105,783	8	103,532	7
8720	Non-controlling Interest	Sie	(1,036)	-	(701)	÷.,
		\$	104,747	8	102,831	7
	Earnings per Share (Note VI (xvi))					
9750	Basic Earnings per Share (deficit) (RMB)	\$		0.59		0.42
9850	Diluted Earnings per Share (deficit) (RMB)	\$		0.59		0.41

Chairman: Manager: Accounting Superstrong
GUO RENHAO HUANG QUARTET LI MINFANG



GRAND OCEAN RETAUTAGEOUP LAD. and Relational Subsidiaries Consolidated Statement of Chambes in Shareholders' Equity As of the End of 2018 and from 3m 1, 2017 to Dec 31, 2017

Currency: NTD (thousand)

Translation of Assets   Protein on Assets   Protein on Assets	Owner & Educty			
Translation of Assets	Retained Earnings	Reta		
Retained   Foreign   Poreign   Treasny   Earnings   Sum   Operations   Equity   Stock   2,856,957   3,322,430   (481,745)     (472,200)   341,947   341,947   (72,629)   .	73	Approp Retai		==2
2,856,957     3,322,430     (481,745)     (6,2629)       341,947     341,947     (72,629)     (72,629)       (31,042)     -     (72,629)     (72,629)       (182,879)     (182,879)     -     (72,629)       (182,879)     (182,879)     -     (182,874)     (6,45,344)       (453,345)     495,345     (191,252)     2,791       (34,195)     -     (191,252)     2,791       (40,994)     -     -     -       (40,994)     -     -     -       (40,994)     -     -     -	Earnings Retained Reserve Earnings	Rese	Legal Reserve	Paid-in Legal Capital Reserve
341,947 341,947	2,856,957	3	465,473	5,143,330 465,47.
341,947       341,947       (72,629)         (31,042)       -       -         (182,879)       (182,879)       -         (182,879)       -       -         (495,3454       495,345       -         (34,195)       -       (191,252)         (34,195)       -       -     <	- 341,947	Ü	r	e e
341,947       341,947       (72,629)         (31,042)       -       -         (182,879)       (182,879)       -         2,984,983       3,481,498       (554,374)       -         495,345       495,345       -       (191,252)       2,791         495,345       495,345       (191,252)       2,791         4       (554,374)       -       -         (34,195)       -       -       -         (227,099)       (227,099)       -         (40,994)       (40,994)       -	•		r	*
(31,042) (182,879) (182,879)	- 341,947		r	r
(182,879)				
(182,879) (182,879)  2,984,983 3,481,498 (554,374)  495,345 495,345 (191,252) 2,791  495,345 495,345 (191,252) 2,791  (34,195)  (227,099) (227,099) (227,099)	- (31,042)		31,042	31,042
2,984,983 3,481,498 (554,374) ( 495,345 495,345 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) (191,25	- (182,879)	ï	ï	a a
2,984,983 3,481,498 (554,374) ( 495,345 495,345 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) 2,791 (191,252) (		2	ï	1,366
2,984,983 3,481,498 (554,374) (64,1953,345 495,345 495,345 (191,252) 2,791 (44,195) (227,099) (227,099) (40,994) (40,994) (40,994)				
495,3454 495,345	- 2,984,983	9	496,515	5,144,696 496,515
(495,345 495,345 (191,252) 2,791 (34,195)	- 495,3454	10	ii.	n
495,345 495,345 (191,252) 2,791 (34,195)		9	71	n a a
(34,195) (524,374) (227,099) (40,994) (40,994)	- 495,345	9	71	10 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1)
(34,195) 4 (554,374) (227,099) (227,099)				
(40,994) (40,994) (40,994)	- (34,195)	0	34,195	34,195
(40,994) (40,994)			e	re
(40,994) (227,099) - (40,994) - (40,994) - (40,994) - (40,994)	554,374 (554,374)	***		
(40,994) (40,994)	- (227,099)	ľ	r	r
CO	- (40,994)		E	(52,336)
1	554,374 2,623,666		530,710	5,092,360 530,710







Accounting Super LI MINFANG



GRAND OCEAN RETAIL SROUP LITE and Relational Subsidiaries Consolidated Statement of Changes in Shareholders' Equity As of the End of 2018 and from 35 n 1, 2017 to Dec 31, 2017

Other Equity Owner's Equity

Currency: RMB (thousand)

				Retained Earnings	arnings	•	Exchange Differences	Held for Sale		Attributed		
		ļ	Ţ	Appropriated			on	Non-current		to Parent		
		Additional		Retained			Translation of	Assets		y	Non-control	
	20000	Paid-in	Legal	Earnings	Retained		Foreign	- Direct	Treasury	Total	ling	Total
	Share Capital	Capital	Reserve	Reserve	Earnings	Sum	Operations	Equity	Stock	Equity	Interest	Equity
Balance as of Jan 1, 2017	\$ 502,092	1,030,410	95,756		573,663	669,419	(61,422)	•	(95,578)	2,044,921	1,805	2,046,726
Current Net Income			ř	•	75,941	75,941	ĸ	•	ŧ.	75,941	(701)	75,240
Current Other Comprehensive Income						•	27,591		*	27,591		27,591
Current Total Comprehensive Income	*				75,941	75,941	27,591			103,532	(701)	102,831
Appropriation and Distribution of Retained												
Earnings:												
Accounting for Legal Reserve	î		856'9		(856'9)	¥		į	Ī	,	v	
Cash Dividends of Common Stock	22				(40,992)	(40,992)	٠	i.	ÿ	(40,992)	ír.	(40,992)
Share-based Payment Transactions - Employee Stock		736	,				**		31,505	31,801	•	31,801
Options												
Balance as of Dec 31, 2017	502,092	1,030,706	102,714		601,654	704,368	(33,831)	ē	(64,073)	2,139,262	1,104	2,140,366
Current Net Income	į	•	1		108,637	108,637		ē	ř	108,637	(1,036)	107,601
Current Other Comprehensive Income				7	•		(3,466)	612		(2,854)	1	(2,854)
Current Total Comprehensive Income				•	108,637	108,637	(3,466)	612	•	105,783	(1,036)	104,747
Appropriation and Distribution of Retained												
Earnings:												
Accounting for Legal Reserve	•	343	7,378	\( <b>!!</b> )/	(7,378)		( <b>1</b> 6)		•	1361	¥ <b>n</b> ĕ	•
Accounting for Appropriated Retained		•	r i	119,611	(119,616)	6	•	r	ě	•	ra	
Earnings												
Cash Dividends of Common Stock	Š	c		e	(49,000)	(49,000)	c		ē	(49,000)	ie:	(49,000)
Treasury Stock Retired	(5,109)	(10,483)			(6,767)	(6,767)			22,359	e e		i i
Balance as of Dec 31, 2018	\$ 496,983	1,020,223	110,092	119,616	527,530	757,238	(37,297)	612	(41,714)	2,196,045	89	2,196,113





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GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries

Consolidated Statement of Cash Flows

As of the End of 2018, and from Jan 1, 2017 to Dec 31, 2017

man lela	Currency:	NTD (thousand)
	2018	2017
Cash Flows from Operating Activities		
	759,622	615,764
Adjusting Events:	N	*
Income and Expenses		
Depreciation Expense	534,458	432,218
Amortization Expense	7,950	2,690
Expected Credit Losses	18,955	( <del>=</del> 0)
Net Profit of Financial Assets and Liabilities Measured at Fair	(32,801)	(4,554)
Value through Profit or Loss	N	No. 100 Per 10
Interest Expense	147,907	121,801
Interest Income	(64,316)	(142,123)
Dividend Income	(2,819)	-
Share-based Payment Expense	- ` ` `	399
Share of Profit of Associates Accounted for Using the Equity	12,067	6,178
Method		87,478,5
Losses on Disposal or Abandonment of Property, Plants and	11,635	17,336
Equipment		
Disposal of Profit of Financial Assets Measured at Cost	; <del>-</del>	(77,071)
Disposal of Profit of Non-current Assets Held for Sale	-	(117,905)
Disposal of Investment Interest	( <del>=</del> )	(32,595)
Impairment of Financial Assets	2	15,760
Impairment of Non-financial Assets	267,361	58,536
Rent Expense	168,943	263,518
Sum of Income and Expenses	1,069,340	544,188
Assets Concern Operating Activities/Liability Variance:	2,002,010	,100
Net Variance of Assets Concern Operating Activities		
Financial Assets Held for Trading	_	(74,285)
Reduction of Financial Assets Measured at Fair Value through	53,763	-
Profit or Loss by Enforcement	22,732	
Accounts Receivable	(48,740)	(14,119)
Other Receivables	20,368	(33,245)
Inventory	(53,104)	(21,270)
Prepayments	(11,222)	12,493
Sum of Net Variance of Assets Concern Operating Activities	(38,935)	(130,426)
Net Variance of Liabilities Concern Operating Activities:	(23,222)	(200, 20)
Accounts Payable	(443,433)	234,128
Other Payables	100,588	(120,303)
Accounts Received in Advance	-	(28,270)
Long-term Payables	(98,004)	(113,080)
Sum of Net Variance of Liabilities Concern Operating	(440,849)	(27,525)
Activities	· · · · · · · · · · · · · · · · · · ·	
Sum of Net Variance of Assets and Liabilities Concern	(479,784)	(157,951)
Operating Activities	(,	
Sum of Adjusting Events	589,556	386,237
Cash Inflow by Operating	1,349,178	1,002,001
Interest Collected	49,229	142,123
Dividends Collected	2,819	,
Interest Paid	(148,242)	(121,614)
Income Tax Paid	(343,255)	(324,337)
Cash Inflow from Operating Activities	909,729	698,173
(************************************		



GRAND OCEAN RETAIL ROUPLYD. and Relational Subsidiaries

Consolidated Statement of Cash Flows (continued)

As of the End of 2018, and from an 1, 2017 to Dec 31, 2017

Currency: NTD(thousand)

	2018	2017
Cash Flows from Investing Activities:		
Acquirement for Financial Assets Measured at Amortized Cost	(217,937)	<b>&gt;</b>
Acquisition of Financial Assets Held for Sale		(2,897,191)
Disposal of Proceeds of Financial Assets Held for Sale	, <del>-</del>	2,929,786
Disposal of Financial Assets Measured at Cost	(14)	527,021
Acquisition of Investments by Equity Method		(54,496)
Disposal of Proceeds of Non-current Assets Held for Sale	-	446,841
Acquisition of Property, Plants and Equipment	(729,576)	(1,671,633)
Decrease (increase) in Refundable Deposits	(10,222)	7,192
Other Receivables -Reduction Related Parties	-	787,425
Acquisition of Intangible Assets	(19,559)	(5,756)
Reduction of Receivables (transfer of equity and investment funds)	25 20 51	1,417,867
Decrease (increase) in Other Financial Assets	4,182	6,028
Decrease (increase) in -Other Non-current Assets	6,791	-
Increase in Prepayments for Equipment	(69,439)	(548,587)
Increase in Other Investing Activities (long-term prepaid rent)	(7,979)	(103,564)
Net Cash Inflow (outflow) from Investing Activities	(1,026,411)	840,933
Cash Flows from Financing Activities		
Increase in Short-term Loans	766,996	7) <del>-</del>
Decrease in Short-term Loans	-	(298,245)
Lease from Long-term Loans	1,291,581	1,154,905
Payments for Long-term Loans	(2,917,922)	(897,818)
Increase in Deposit Received	70,575	64,555
Distribution of Cash Dividends	(227,099)	(182,879)
Treasury Stock Purchased by Employees	-	33,496
Net Cash Outflow from Financing Activities	(1,015,869)	(125,986)
Influence on Cash and Cash Equivalents by Fluctuations of the	-	, <u>k</u>
Exchange Rates	(70,203)	(131,271)
Increase (decrease) Amount in Current Cash and Cash Equivalents	(1,202,754)	1,281,849
Beginning Balance of Cash and Cash Equivalents		4,960,416
	6,242,265	4,500,410

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENHAO

Manager: 海黄 HUANG QINGH和清

Accounting Supervisor



# GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries Consolidated Statement of Cash Flows As of the End of 2018, and from Jan 1, 2017 to Dec 31, 2017 Currency: RM

20 1 8 1 8 1 8 1 8 1 8 1 8 1 8 1 8 1 8 1			RMB (thousand)
		2018	2017
Cash Flows from Operating Activities	01-	75	
Current Net Earnings before Tax	\$	166,597	136,751
Adjusting Events:			
Income and Expenses			
Depreciation Expense		117,215	95,989
Amortization Expense		1,744	597
Expected Credit Losses		4,157	A
Net Profit of Financial Assets and Liabilities Measured at Fair		(7,194)	(1,011)
Value through Profit or Loss			\$2 10 10
Interest Expense		32,438	27,050
Interest Income		(14,105)	(31,563)
Dividend Income		(618)	
Share-based Payment Expense		-	89
Share of Profit of Associates Accounted for Using the Equity Method		2,647	1,372
Losses on Disposal or Abandonment of Property, Plants and		2,552	3,850
Equipment		2,332	3,630
Disposal of Profit of Financial Assets Measured at Cost		12	(17,116)
Disposal of Profit of Non-current Assets Held for Sale		_	(26,185)
Disposal of Investment Interest		700 7-0	(7,239)
Impairment of Financial Assets			3,500
Impairment of Non-financial Assets		58,636	13,000
Rent Expense		37,051	58,523
Sum of Income and Expenses		234,523	120,856
Assets Concern Operating Activities/Liability Variance:		254,525	120,830
Net Variance of Assets Concern Operating Activities			
Financial Assets Held for Trading			(16,498)
Reduction of Financial Assets Measured at Fair Value through		11,791	(10,498)
Profit or Loss by Enforcement		11,/91	-
Accounts Receivable		(10,689)	(3,136)
Other Receivables		4,467	(7,383)
Inventory		(11,647)	(4,724)
Prepayments		(2,461)	2,774
Sum of Net Variance of Assets Concern Operating Activities	4	(8,539)	(28,967)
Net Variance of Liabilities Concern Operating Activities:	-	(0,557)	(20,501)
Accounts Payable		(97,252)	51,996
Other Payables		22,061	(26,717)
Accounts Received in Advance			(6,278)
Long-term Payables		(21,494)	(25,113)
Sum of Net Variance of Liabilities Concern Operating		(96,685)	(6,112)
Activities		(50,000)	(*,112)
Sum of Net Variance of Assets and Liabilities Concern		(105,224)	(35,079)
Operating Activities	3		
Sum of Adjusting Events		129,299	85,777
Cash Inflow by Operating		295,896	
Interest Collected		10,797	31,563
Dividends Collected		618	
Interest Paid		(32,512)	
Income Tax Paid		(75,281)	120
Cash Inflow from Operating Activities		199,518	



GRAND OCEAN RETAIL GROUP DTD. and Relational Subsidiaries

Consolidated Statement of Cash Flows (continued)
As of the End of 2018, and from Jan 1, 2017 to Dec 31, 2017

Currency: RMB (thousand)

	2018	2017
Cash Flows from Investing Activities:		36
Acquirement for Financial Assets Measured at Amortized Cost	(47,797)	120
Acquisition of Financial Assets Held for Sale	:=0	(643,420)
Disposal of Proceeds of Financial Assets Held for Sale	\$ <del>=</del> \$	650,659
Disposal of Financial Assets Measured at Cost		117,043
Acquisition of Investments by Equity Method	( <del>4</del> )	(12,103)
Disposal of Proceeds of Non-current Assets Held for Sale		99,236
Acquisition of Property, Plants and Equipment	(160,007)	(371,243)
Decrease (increase) in Refundable Deposits	(2,242)	1,597
Other Receivables -Reduction Related Parties	-	174,875
Acquisition of Intangible Assets	(4,290)	(1,278)
Reduction of Receivables (transfer of equity and investment funds)	3,800	314,886
Decrease (increase) in Other Financial Assets	917	1,339
Decrease (increase) in -Other Non-current Assets	1,489	-
Increase in Prepayments for Equipment	(15,229)	(121,832)
Increase in Other Investing Activities (long-term prepaid rent)	(1,750)	(23,000)
Net Cash Inflow (outflow) from Investing Activities	(225,109)	186,759
Cash Flows from Financing Activities		
Increase in Short-term Loans	168,214	. <del>5</del> 8
Decrease in Short-term Loans	-	(66,236)
Lease from Long-term Loans	283,263	256,486
Payments for Long-term Loans	(639,945)	(199,391)
Increase in Deposit Received	15,478	14,337
Distribution of Cash Dividends	(49,000)	(40,615)
Treasury Stock Purchased by Employees	-	7,439
Net Cash Outflow from Financing Activities	(221,990)	(27,980)
Influence on Cash and Cash Equivalents by Fluctuations of the Exchange		
Rates	3,814	(11,169)
Increase (decrease) Amount in Current Cash and Cash Equivalents	(243,767)	302,662
Beginning Balance of Cash and Cash Equivalents	1,369,651	1,066,989
Closing Balance of Cash and Cash Equivalents	\$ 1,125,884	1,369,651

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENITAO

Manager: HUANG QIN Accounting Supersi LI MINFANG

Currency: NTD



#### **Topic 2: 2018 Earnings Distribution**

Board's Proposals

#### Descriptions:

- I. Net income after tax of the company in 2018 is NT\$495,344,921, therefore dividends are to be distributed in compliance with articles of the company.
- II. Earnings distribution table of the company in 2018 is as below: GRAND OCEAN RETAIL GROUP MIMIED Earnings Distribution Table

	J
2017 Closing Retained Earnings	2,169,314,918
Addition: 2018 Net Income after Tax	495,344,921
Deduction: 10% Accounted for Legal Reserve	(49,534,492)
Deduction: Accounting for Appropriated Retained Earnings	(188,461,553)
Deduction: 2018 Written-down Treasury Stock	(40,994,297)
2018 Profit Available for Distribution	2,385,669,497
Distribution Items Cash Dividends for Shareholders (NT\$1.75 per share)	331,185,750
Closing Retained Earnings	2,054,483,747

Notel:Cash dividends for shareholders by 2018 earnings distribution are to be recognized by shareholders meeting, then the board meeting will be authorized to draft the regulations concerning ex-dividend date as well as distribution matters. According to the shareholders list on the ex-dividend date, it is to distribute the cash dividends denominated in one NTD, any cash dividend under a single NTD (i.e. the decimal) will be summed up in total to be recognized as other income.

Note2:Cash dividends for this time are measured by 189,249,000 shares outstanding on March 20, 2019 of the company. Afterwards, quantity of those outstanding shares is influenced because the company repurchases the shares. Variance of the distribution yield therefore incurs due to that the treasury stock is transferred or written-down, or the transferable corporate bonds are transferred to common stock and capital increase. Thus a proposal is made here to request the shareholders to fully authorize the chairman to deal with this matter.

Chairman:

**GUO RENHAO** 

Manager:

HUANG QINGHAI

Accounting Supervisor
LI MINFANG



Resolution:



# Topic 1: Amendment to Certain Articles of the "Articles of Incorporation"

Board's Proposals

Descriptions:

- In compliance with the recent act amendments and considering practical operations for the company, a proposal is made here to amend the certain articles of "Articles of Incorporation" of the company.
- II. English translations corresponding to the amendments are referred to page29~36 in this handbook.
- III. Please be informed for discussion.

Resolution:



Comparison Chart of the Articles of Association of Grand Ocean Retail Group Limited

Articles	Amended and Restated Articles of	Amended and Restated Articles of	
No.	Association	Association	Explanations
110.	(Proposed Revision)	(Original)	
2B	When conducting its business, the Company shall comply with the laws and regulations as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.  Subject to and in so far as permitted by the provisions of the Statute, the Company may from time to time by Special Resolution alter or amend its Memorandum of Association to: (i) increase the share capital by such sum to be divided into shares of such amount or without nominal or par value as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine. (ii)consolidate any of its share capital into shares of larger amount than	N/A	Revised per paragraphs2, Article 1 of Company Act  Revised per Paragraph 6, Article 156 1
21(a)	, ,	N/A	•
	be converted or re-designated into share(s) with par or nominal value.		
27(b)	In addition to sub-paragraphs (c) and (d) below and Article 29, general meetings of the Company shall be convened by the Board and may be held at such time and place as may be determined the Board. Such meeting shall be convened in the ROC, and may be convened outside the territory of the ROC only if an application has been submitted to the Designated Stock Market for approval within two (2) days after the	General meetings of the Company shall be convened by the Board and may be held at such time and place as may be determined the Board.  Such meeting shall be convened in the ROC, and may be convened outside the territory of the ROC only if an application has been submitted to the Designated Stock Market for approval within two (2)	Amended to reflect sub- paragraphs (c) and (d) and Article 29

Topic Discussions



Topic Discussions				
	date of the Board resolve to convene such meeting, and such approval has been obtained by the Company.	days after the date of the Board resolve to convene such meeting, and such approval has been obtained by the Company.		
27(c)	One or more Member(s) holding fifty percent (50%) or more of the total number of the outstanding voting shares of the Company continuously for a period of three months or a longer time may convene an extraordinary general meeting of the Company. The calculation of the holding period and number of shares being held shall be determined in accordance with the Register of Members of the Company as of the date and time when the Register of Members of the Company is closed for transfer of shares of the Company before the aforesaid extraordinary general meeting of the Company is held.	N/A	Revised per Article 173-1 of Company Act	
27(d)	In the event that the Board do not or is unable to convene a general meeting of shareholders, the supervisor (if any) or the Independent Director of Audit Committee may, for the benefit of the Company, convene a meeting of shareholders when it is deemed necessary.	N/A	Revised per Article 220 of Company Act	
27(e)	The Board or other authorized conveners of general meeting may require the Company or its agent of stock affairs to provide with the Register of Members.	N/A	Revised per Article 210-1 of Company Act	
33	Any Member holding not less than one percent (1%) of the Company's total and outstanding shares may submit a proposal in writing or by way of electronic transmission to the Company for discussion at an annual general meeting. The Company shall give a public notice in such manner as permitted by Applicable	Any Member holding not less than one percent (1%) of the Company's total and outstanding shares may submit a proposal in writing to the Company for discussion at an annual general meeting. The Company shall give a public notice in such manner as permitted by Applicable Law deemed	Revised per Article 172-1 of Company Act	



Law deemed appropriate by the Board specifying the place and a period of not less than ten (10) days for Members to submit proposals or the electronic address where any electronic communication is to be sent. Unless (i) the proposal is submitted by such Member(s) who hold(s) less than one percent (1%) of the Company's total and outstanding shares; (ii) the proposal consists of a matter which as determined by the Directors is not a matter which can be resolved or settled at a general meeting of the Members in accordance with or under the Applicable Laws; (iii) the proposal exceeded three hundred words or relates to more than one matter; or (iv) the proposal is submitted after expiration of the specified period determined by the Board, Board shall include the proposal in the list of proposals to be discussed at the meeting of shareholders. If the shareholder proposal is for urging the Company to promote public interests or fulfill its social responsibilities, such proposal may still be included in the list of proposals to be discussed at the meeting of shareholders by the Board notwithstanding that it falls within aforesaid items (i), (ii) (iii) or (iv). Subject to Article 34 and to the extent permitted under the Statue, a Member may, if so approved by the chairman of the relevant general meeting, bring forward any matter(s) during a general meeting for the consideration, discussion or approval by the Members at such general meeting, provided such matter(s) falls within the scope and directly relates to a matter included in the notice of

appropriate by the Board specifying the place and a period of not less than ten (10) days for Members to submit proposals. A proposal submitted for discussion at an annual general meeting shall not be accepted when the Member submitting such proposal holds less than one percent (1%) of the Company's total and outstanding shares, or where the proposal consists of a matter which does not constitute a lawful object for a resolution of a general meeting in accordance with or under the Applicable Laws, or where more than one matter is included in the proposal, or where the proposal is submitted after the expiration of the specified period determined by the Board, in which case, the rejected proposal shall not be discussed at the annual general meeting. Subject to Article 34 and to the extent permitted under the Statue, a Member may, if so approved by the chairman of the relevant general meeting, bring forward any matter(s) during a general meeting for the consideration, discussion or approval by the Members at such general meeting, provided such matter(s) falls within the scope and directly relates to a matter included in the notice of general meeting.



	1	•	
	general meeting.		
	Subject to these Articles, the	Subject to these Articles, the	
	following matters may not be	following matters may not be	
	considered, discussed or proposed for	considered, discussed or proposed	
	approval at a general meeting unless	for approval at a general meeting	
	they have been included in the notice	unless they have been included in	
	of general meeting with reasonable	the notice of general meeting with	
	amount of explanation, and its	reasonable amount of explanation:	
	essential contents may be posted on	(a) any election or removal of	
	the website designated by the	Directors;	
	competent authority or the Company,	(b) any amendment or modification	
	and such website shall be indicated in	to the Memorandum of Association	
	the notice.	or these Articles, including any	
	(a) any election or removal of	change of the Company name;	
	Directors;	(c) any dissolution, voluntary	
	(b)any amendment or modification to	winding-up, merger, consolidation,	
	the Memorandum of Association	amalgamation or split-up of the	
	or these Articles, including any	Company;	
	change of the Company name;	(d) any proposal for the Company	
	(c) reduction of capital;	to enter into, amend, or terminate	
	(d) application for the approval to	any Lease Contract, Management	
	cease its status as a public	Contract or Joint Operation	
	company;	Contract;	
	(e) any dissolution, voluntary	(e) transfer whole or any substantial	
	winding-up, merger,	part of the Company's business or	Revised per
	consolidation, amalgamation or	assets;	•
	split-up of the Company;	(f) acquisition of whole of the	Article 172 of
	(f) any proposal for the Company to	business or assets of a third-party,	Company Act
34	enter into, amend, or terminate	which materially affects the	and Article 26-
	any Lease Contract, Management	operation of the Company;	1 of Securities
	Contract or Joint Operation	(g) any issuance of equity-linked	
	Contract;	securities of the Company by way	and Exchange
	(g) transfer whole or any substantial	of private placement;	Act
	part of the Company's business	(h) to the extent permitted by	
	or assets;	Applicable Law, any proposal to	
	(h) acquisition of whole of the	approve a Director to engage in	
	business or assets of a third-party,	competitive activities with the	
	which materially affects the	Company;	
	operation of the Company;	(i) upon recommendation of the	
	(i) any issuance of equity-linked	Board, any proposal to distribute	
	securities of the Company by	cash and/or stock dividends or	
	way of private placement;	distributions out of surplus in	
	(j) to the extent permitted by	whole or in part by way of issuance	
	Applicable Law, any proposal to	of new shares of the Company;	
	approve a Director to engage in	(j) transfer of Treasury Shares to	
	competitive activities with the	the employees of the Company	
	Company;	and/or of the Company's	
	(k) upon recommendation of the	Subsidiary(ies) for a consideration	
	Board, any proposal to	that is less than the consideration	
	distribute cash and/or stock	paid by the Company in	
	dividends or distributions out of	accordance with Article 13(f);	
	surplus in whole or in part by	(k) issuance of any shares of the	
	way of issuance of new shares of	Company with deferred rights or	
	the Company;	subject to restrictions (whether	
	(l) distribution of amounts, by	contractual or otherwise) in	
	issuing new shares or by cash, in	accordance with the terms of their	



////			Discussions
	the legal reserve and the capital reserve derived from share premium or donations received by the Company;  (m) transfer of Treasury Shares to the employees of the Company and/or of the Company's Subsidiary(ies) for a consideration that is less than the consideration paid by the Company in accordance with Article 13(f);  (n) issuance of any shares of the Company with deferred rights or subject to restrictions (whether contractual or otherwise) in accordance with the terms of their issue to the employees of the Company and/or its Subsidiaries; and  (o) granting of employee stock options with an exercise price per share that is lower than the closing price of shares of the Company traded on the Taiwan Stock Exchange as of the grant date.	issue to the employees of the Company and/or its Subsidiaries; and (I) granting of employee stock options with an exercise price per share that is lower than the closing price of shares of the Company traded on the Taiwan Stock Exchange as of the grant date.	
66(c)	Where there is a re-election of all Directors at a general meeting prior to the expiry of the term of office of the existing Directors, if no resolution has been passed by the Members to approve that the existing Directors who are not re-elected at such general meeting shall remain in office until expiry of their original term of office or such other date as approved by the Members at the general meeting, such non-re-elected Directors shall vacate their office with effect from closing of such general meeting.	A re-election of all Directors prior to the expiry of their term of office of the existing Directors shall be effected by an Ordinary Resolution. If no resolution is passed to approve that the existing Directors who are not re-elected at the general meeting shall remain in office until expiry of their original term of office or such other date as approved by the Members at the general meeting, such non-re-elected Directors shall vacate their office with effect from closing of such general meeting.	Revised per Article 199-1 of Company Act
68B	For as long as the Company's shares are listed on the Designated Stock Market, subject to the Applicable Law, any Director (not including Independent Director) or supervisor (if any), who, during his or her term of office and in one or more transactions, deals with Shares so held by him/her and results in such Director (not including Independent	For as long as the Company's shares are listed on the Designated Stock Market, subject to the Applicable Law, any Director or supervisor (if any), who, during his or her term of office and in one or more transactions, deals with Shares so held by him/her and	Revised per Article 14-2 of Securities and Exchange Act



		•	Discussions
	Director) or supervisor (as the case may be) ceases to hold more than fifty percent (50%) of the total Shares then held by such Director (not including Independent Director) or supervisor (as the case may be) at the time of his or her appointment or election as Director (not including Independent Director) or supervisor (as the case may be) at a general meeting (the "Approval Time"), such Director (not including Independent Director) or supervisor (as the case may be) shall immediately resign or otherwise be removed or vacated from his/her office.  For as long as the Company's shares are listed on the Designated Stock Market, subject to the Applicable Law, if any person deals with Shares so held by him/her in or more transactions and results in such person ceases to hold more than fifty percent (50%) of the Shares held by him or her at the Approval Time either (i) during the period from the Approval Time to the commencement date of his or her office as Director (not including Independent Director) or supervisor (if any), or (ii) during the period when the Register is closed for transfer of Shares prior to the general meeting at which the appointment or election of such person as a Director (not including Independent Director) or supervisor (if any) will be proposed, his or her appointment or election as Director or supervisor (if any) shall not take effect.	results in such Director or supervisor (as the case may be) ceases to hold more than fifty percent (50%) of the total Shares then held by such Director or supervisor (as the case may be) at the time of his or her appointment or election as Director or supervisor (as the case may be) at a general meeting (the "Approval Time"), such Director or supervisor (as the case may be) shall immediately resign or otherwise be removed or vacated from his/her office.	
78B	Where the spouse, a blood-related relative within the second degree of kinship of a Director, or any company which has a controlling or subordinate relation with a Director has interests in the matters under discussion in the meeting of the preceding paragraph, such Director shall be deemed to have a personal interest in the matter.  In addition to the above, the Board	N/A  In addition to the above, the Board	Revised per Paragraph 3, Article 206 of Company Act
87	shall keep copies of these Articles, the minutes of prior general meetings, financial statements, Register of	shall keep copies of these Articles, the minutes of prior general meetings, financial statements,	Article 210 of Company Act





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ÿ	Topic Discussions				
	Members as well as summary of the	Register of Members as well as			
	bonds and notes issued by the	summary of the bonds and notes			
	Company at the Company's agent for	issued by the Company at the			
	stock affairs located within the ROC	Company's agent for stock affairs			
	for inspection or duplication by the	located within the ROC for			
	Members from time to time by	inspection or duplication by the			
	showing evidence of such Members'	Members from time to time by			
	•	· ·			
	interest involved in the Company and	showing evidence of such			
	specifying the scope of inspection,	Members' interest involved in the			
	transcription or right to take copies.	Company and specifying the scope			
	The Company shall procure its agent	of inspection.			
	for stock affairs to provide with the				
	access.				
	Any person who falls within any of	Any person who falls within any of			
	the following categories shall not be	the following categories shall not			
	appointed a Director of the Company.	be appointed a Director of the			
	If for any reason he becomes a	Company. If for any reason he			
	Director, he shall cease to be a Director of the Company forthwith	becomes a Director, he shall cease to be a Director of the Company			
	upon the Company having actual	forthwith upon the Company			
	notice that a breach of this Article	having actual notice that a breach			
	107 has been made, without any	of this Article 107 has been made,			
	further action required on the part of	without any further action required			
	the Company or such Director in	on the part of the Company or such			
	question:	Director in question:			
	(1) any person having committed	(1) any person having			
	an offense as specified in the ROC Statute of Prevention of Organization	committed an offense as specified in the ROC Statute of Prevention			
	Crimes and subsequently convicted	of Organization Crimes and			
	of a crime, and has not started serving	subsequently adjudicated guilty by			
	the sentence, has not completed	a final judgment, and the time			
	serving the sentence, or five (5) years	elapsed after he has served the full	Revised per		
	have not elapsed since completion of	term of the sentence has not	Article 30 of		
	serving the sentence, expiration of the	exceeded five (5) years; or	Company Act		
	probation, or pardon; or (2) any person having committed an	(2) any person having committed an offense involving			
	offense involving fraud, breach of	fraud, breach of trust or			
	trust or misappropriation and	misappropriation and subsequently			
	subsequently convicted with	punished with imprisonment for a			
	imprisonment for a term of more than	term of more than one (1) year, and			
	one (1) year, and has not started	the time elapsed after he has served			
	serving the sentence, has not	the full term of such sentence has			
	completed serving the sentence, or	not exceeded two (2) years; or			
	two (2) years have not elapsed since completion of serving the sentence,	(3) any person having been adjudicated guilty by a final			
	expiration of the probation, or	judgment for misappropriating			
	pardon; or	public funds during the time of his			
	(3) any person <u>having committed</u>	public service, and the time elapsed			
	the offense as specified in the Anti-	after he has served the full term of			
	corruption Act and subsequently	such sentence has not exceeded			
	convicted of a crime, and has not	two (2) years; or			
	started serving the sentence, has not	(4) any person having been	İ.		

started serving the sentence, has not

(4) any person having been



Topic Discussion			Discussions
	completed serving the sentence, or two (2) years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon; or  (4) any person having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and has not been reinstated to his rights and privileges; or  (5) any person having been dishonoured for unlawful use of credit instruments, and the term of such sanction has not yet expired; or  (6) any person having no or only limited capacity; or  (7) any person having been adjudicated of the commencement of assistantship (as defined in Taiwan Civil Code) and such assistantship having not been revoked yet.	adjudicated bankrupt, and has not been reinstated to his rights and privileges; or (5) any person having been dishonoured for unlawful use of credit instruments, and the term of such sanction has not yet expired; or (6) any person having no or only limited capacity.	
111(e)	The Company's dividends policy is that the Company shall refer to current and future industrial prosperity and consider fund demand and financial structure of the Company. The allocation of dividends annually shall be no less than 30% of distributable earning, and may allocate dividends to the Shareholders in the form of cash dividends and/or bonus shares; provided that Cash dividends shall comprise a minimum of ten percent (10%) of the allocated dividends.	The Company's dividends policy is that the Company shall refer to current and future industrial prosperity and consider fund demand and financial structure of the Company; in addition to discretionary retained earnings, the Company may allocate dividends to the Shareholders in the form of cash dividends and/or bonus shares; provided that Cash dividends shall comprise a minimum of ten percent (10%) of the allocated dividends.	Revised per official documents (code:(89)台 財證(一)字第 100116 號函, 89 年 2 月 1 日(89)台 財證 (一)字第 00371 號函 and 89 年 3 月 28 日(89)台 財證(一)字第 00891 號函)



# Topic 2: Amendment to Certain Articles of "Procedures of Acquisition and/or Disposal of Assets"

Board's Proposals

## Descriptions:

- I. Part of the articles in the "Procedures of Acquisition and/or Disposal of Assets" of the Company are amended due to the amendments to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."
- II. Please refer to Page 38 50of the handbook for the comparison table of the articles.
- III. Please be informed for discussion.

Resolution:



Comparison Table of Articles of "Procedures of Acquisition and/or Disposal of Assets"

	ocedures of Acquisition and/or Disposal of A	
Amendment	Current Article	Description
Article 2	Article 2	To Match
The procedures are pursuant to the	The procedures are pursuant to the	Certain
"Regulations Governing the Acquisition	"Regulations Governing the Acquisition	Amendments
and Disposal of Assets by Public	and Disposal of Assets by Public	to the
Companies," that is issued by the local	Companies," that is issued by the local	"Regulations
securities authorities (i.e. FSC ROC	securities authorities (i.e. FSC ROC	Governing
(Taiwan)). Should there be any	(Taiwan)). Should there be any	the
insufficiency of the procedures,	insufficiency of the procedures, relational	Acquisition
relational finance laws are to be	finance laws will be followed, including	and Disposal
followed, including "Regulations	"Regulations Governing the Acquisition	of Assets by
Governing the Acquisition and Disposal	and Disposal of Assets by Public	Public
of Assets by Public Companies" of the	Companies" of the region where the	Companies"
region where the Company is listed.	Company is listed.	by
Hereinafter "the Act" is referred to the	Hereinafter "the Act" is referred to the	Competent
financial supervision laws of the region	financial supervision laws of the region	Authority
where the Company is listed.	where the Company is listed.	•
Additionally, the competent authority	Additionally, the competent authority	
referred to here is the institution	referred to here is the institution	
supervising the corporations, as well as	supervising the corporations, as well as	
the securities of the region where the	the securities of the region where the	
Company is listed.	Company is listed.	
Article 3	Article 3	
Applicable Scope of Assets in the	Applicable Scope of Assets in the	
Procedures	Procedures	
I. NA	I. NA	
II. Property (lands, houses and buildings,	II. Property (lands, houses and buildings,	
investment property and	investment property, land assess and	
construction stocks included) and	construction stocks included) and	
Equipment	equipment	
III. NA	III. NA	
IV. NA	IV. NA	
V. Right-of-use Assets	V. Financial Institutions Claims (accounts	
VI. Financial Institutions Claims	receivable, bills purchased and	
(accounts receivable, bills	discounted, loans, and overdue	
purchased and discounted, loans	receivables included)	
and overdue receivables included)	VI. Derivative Products	
<u>VII</u> . Derivative Products	VII. Assets Acquired or Disposed through	
VIII. Assets Acquired or Disposed	Mergers, Demergers, Acquisitions or	
through Mergers, Demergers,	Transfer of Shares in accordance	
Acquisitions or Transfer of Shares	with Law	
in accordance with Law	VIII. Other Material Assets	
<u>IX</u> . Other Material Assets		
Article 4	Article 4	
	Definition	
Definition	I. Derivative Products: A Forward	
I. Derivative Products: A Forward		
contract, options contract, futures	contract, options contract, futures	
_	contract, leverage contract, or swap	
contract, leverage contract, or swap		



contract, 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 variables; or a hybrid contract combining the above contracts; or a hybrid contract or structured product containing an embedded derivative product. The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, longterm lease contracts, or long-term purchase (sales) contracts.

II. Assets Acquired or Disposed through Mergers, Demergers, Acquisitions or Transfer of Shares in accordance with Law: Referred to an asset acquired or disposed through mergers, demergers or acquisitions conducted under "Business Mergers and Acquisitions Act," "Financial Holding Company Act," "Financial Institution Merger Act" and other acts of the region where the Company is listed or the shares transferred from another company through the issuance of new shares of its own pursuant to Article 156.3 in "Company Act" of the region where the Company is listed (hereinafter referred to as "shares transferee").

III. NA IV. NA

V. NA

contract, whose value is derived from an asset, interest rate, foreign exchange rate, index or other interests or a hybrid contract combining the above contracts.

The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts or long-term purchase (sales) contracts.

II. Assets Acquired or Disposed through Mergers, De-mergers, Acquisitions or Transfer of Shares in accordance with Law: Refers to an asset acquired or disposed through mergers, demergers or acquisitions conducted under "Business Mergers and Acquisitions Act," "Financial Holding Company Act," "Financial Institution Merger Act" and other acts of the region where the Company is listed or the shares transferred from another company through the issuance of new shares of its own pursuant to Article 156.6 in "Company Act" of the region where the Company is listed (hereinafter referred to as "shares transferee").

III. NA

IV. NA V. NA

VI. NA



## VI. NA

VII. Investment Professional: Refers to a
financial holding company, bank,
insurance company, bill finance
company, trust enterprise, securities
firms operating proprietary trading
or underwriting business, futures
commission merchant operating
proprietary trading business,
securities investment trust
enterprise, securities investment
consulting enterprise, and fund
management company, that are
legitimately incorporated and
regulated by the competent
authorities where they are located.

VIII. 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
authorities for securities in where it
is located.

## IX. Over-the-counter Venue (OTC

Venue, or OTC): Domestic OTC
venue refers to a venue for OTC
trading provided by a securities firm
in accordance with "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 is permitted to conduct
securities business.



#### Article 8

<u>Limitations</u> are defined for the total amounts of non-operating properties and their right-of-use assets or marketable securities, as well as a specific security, which are purchased by the Company and its subsidiaries, where their respective facilities are as below:

I. Total Amounts of Non-operating Properties and their Right-of-use Assets: 200% at most of the net worth of the Company, and 100% at most of the paid-in capital of the subsidiaries.

II. NA

III. NA

Article 9

NA

I. Properties or their right-of-use assets acquired or disposed from/to a related party or other assets but excluding the right-of-use assets of properties acquired or disposed from/to a related party, where the transaction amount is 20% or more of the paid-in capital, or 10% or more of the total assets of the Company, or, NT\$300,000 thousand or more. Whereas the purchase of government bonds, RP securities, RS securities of the region where the Company is listed, as well as the subscription or repurchase of a money market fund (MMF) issued by the securities investment trust enterprise of the region where the Company is listed, are not subject to the limitations.

II. NA

III. NA

- IV. Acquisition or disposal of the nonoperating machines, equipment or right-of-use assets, where the transaction counterparty is not a related party and the transaction amount is more than NT\$500,000 thousand as well.
- V. Acquisition or disposal of the nonoperating properties or right-of-use assets by a public construction company, where the transaction counterparty is not a related party,

Article 8

As for the marketable securities of nonoperating properties, which are purchased by the Company and its subsidiaries, the facilities are as below:

I. Total Amounts of Non-operating Properties: 200% at most of the net worth of the Company, and 100% at most of the paid-in capital of the subsidiaries.

II. NA

III. NA

Article 9

NA

I. Properties acquired or disposed from/to a related party, or, other assets but excluding the properties acquired or disposed from/to a related party, where the transaction amount is 20% of the paid-in capital or more, or 10% of the total assets or more of the Company, or, NT\$300,000 thousand or more. Whereas the purchase of government bonds, RP securities, RS securities, as well as the subscription or repurchase of a MMF issued by the Taiwan domestic securities investment trust enterprise, are not subject to the limitations.

II. NA

- III. NA
- IV. Acquisition or disposal of the machines and equipment for operating activities, where the transaction counterparty is not a related party, and the transaction amount is more than NT\$500,000 thousand as well.
- V. Acquisition or disposal of the properties for construction by a public construction company, where the transaction counterparty is not a related party, and the transaction amount is more than NT\$500,000 thousand as well.
- VI. Acquisition of the properties by engaging others to build on the Company's own land or a rented land,



and the transaction amount is more than NT\$500,000 thousand as well.

VI. Acquisition of the properties by engaging others to build on the Company's own land or a rented land, joint construction and allocation of a housing unit, joint construction and allocation of the ownership percentage, or joint construction and separate sale, where the transaction counterparty is not a related party, and the estimated transaction amount of the Company is more than NT\$500,000 thousand as well.

Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of claims by a financial institution, or an investment in China, reaches 20% or more of the paidin capital of the Company, or, NT\$300,000 thousand or more. Provided, this shall not apply to the following circumstances:

- 1. Trading of the government bonds of the region where the Company is listed.
- 2. Where done by a professional investor — securities trading on securities exchanges or OTC markets, or subscription of the ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt), that are offered and issued in the Taiwan domestic primary market, or subscription or redemption of the securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or, as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
- 3. NA

The transaction amounts as listed above are to be calculated as the following:

- 1. NA
- 2. NA

joint construction and allocation of a housing unit, joint construction and allocation of the ownership percentage, or joint construction and separate sale, where the estimated transaction amount of the Company is more than NT\$500,000 thousand.

Where an asset transaction other than any of those referred to in the preceding <u>six</u> subparagraphs, a disposal of claims by a financial institution or an investment in China, reaches 20% or more of the paidin capital of the Company or NT\$300,000 thousand or more. Provided, this shall not apply to the following circumstances:

- 1. Trading of the government bonds.
- 2. Where done by a professional investor securities trading on securities exchanges or OTC markets or subscription of the ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the Taiwan domestic primary market.
- 3. NA

The transaction amounts as listed above are to be calculated as the following:

- 1. NA
- 2. NA
- 3. The cumulative transaction amount of acquisitions and disposals (acquisitions and disposals are accumulated, respectively) of a property of the same development project within the preceding year.
- 4. NA



3. The cumulative transaction amount of acquisitions and disposals (acquisitions and disposals are accumulated, respectively) of a property or its right-of-use assets of the same development project within the preceding year.

## 4. NA

## Article 11

Excluding the transactions with administration authorities of the region where the Company is listed, constructions by engaging others to build on the Company's own land or a rented land or the acquisition or disposal of machines and equipment or their rightof-use assets for operating activities, any acquisitions or disposals of properties, equipment or its right-of-use assets, or other fixed assets whose transaction amount approaches 20% of the paid-in capital of the Company or NT\$300,000 thousand or more, an appraisal report by the professional appraisers should be acquired before the date of occurrence and the following regulations must be accorded:

I. Any transaction dealt with based on a limited price, specific price or particular price due to certain peculiar reasons should be submitted to the Board meeting for resolution; should there be any modification of the transaction conditions thereof afterwards, it will be ditto.

II. NA III. NA

IV. NA
Article 13

Excluding the transactions with administration authorities of the <u>region</u> where the Company is listed, any acquisitions or disposals of intangible assets <u>or right-of-use</u> assets thereof, or <u>membership cards</u> whose transaction amount approaches 20% of the paid-in capital of the Company or NT\$300,000 thousand or more, should be consulted with the accountants for comments on the rationality of transaction prices

Article 11

Excluding the transactions with administration authorities, constructions by engaging others to build on the Company's own land or a rented land or the acquisition or disposal of machines and equipment for operating activities, any acquisitions or disposals of properties or other fixed assets whose transaction amount approaches 20% of the paid-in capital of the Company, or NT\$300,000 thousand or more, an appraisal report by the professional appraisers should be acquired before the date of occurrence, and the following regulations must be accorded:

I. Any transaction dealt with based on a limited price, specific price or particular price due to certain peculiar reasons should be submitted to the Board meeting for resolution; should there be any modification of the transaction conditions thereof afterwards, it will be ditto.

II. NA III. NA IV. NA

Article 13

Excluding the transactions with administration authorities, any acquisitions or disposals of membership cards or intangible assets whose transaction amount approaches 20% of the paid-in capital of the Company or NT\$300,000 thousand or more, should be consulted with the accountants for comments on the rationality of transaction prices before the date of occurrence. Moreover, the accountants

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before the date of occurrence. Moreover,	should comply with SAS No.20 issued by	
the accountants should comply with SAS	the accounting research and development	
No.20 issued by the accounting research	foundation of the region/country where	
and development foundation of the	the Company is listed.	
region/country where the Company is		
listed.		
Article 15	Article 15	
Any appraisal report or opinion letter	Any appraisal report, or opinion letter	
from the accountants, attorneys or	from the accountants, attorneys or	
securities underwriters, which are	securities underwriters, which are	
acquired by the Company, where the	acquired by the Company, where the	
professional appraisers and appraisal	professional appraisers and appraisal	
officers, accountants, attorneys or	officers, accountants, attorneys or	
securities underwriters, and the	securities underwriters must not be a	
transaction parties thereof should follow	related party to the transaction party.	
the related regulations as below:		
I. One cannot have previously received a		
final and unappealable sentence for		
imprisonment for at least 1 year for		
any violation of the Act, Company		
Act, Banking Act, Insurance Act,		
Financial Holding Company Act or		
Business Entity Accounting Act or for fraud, breach of trust,		
embezzlement, forgery of		
documents, or occupational crime.		
Whereas this provision is not to be		
applied, if the condition of 3 years of		
time has been fulfilled since the		
completion of service of the		
sentence, or the expiration of period		
of the suspended sentence, or the		
receipt of pardon.		
II. One cannot be a related party, or a		
substantive related party with the		
transaction party.		
III. The Company should acquire the		
appraisal reports from at least two		
different professional appraisers;		
different appraisers or appraisal		
officers cannot be the related parties		

or substantive related parties with

preceding paragraph should comply with the conditions as below when proposing an appraisal report or opinion letter:

I. Before receiving a case, one should discreetly examine his/her own professional capabilities, actual experience and independence.

each other.

Any personnel described in the



- II. When auditing a case, one should

  properly make a plan and have it
  executed by an appropriate process,
  to propose the appraisal report or
  opinion letter by his/her
  conclusions. Also, any procedures
  executed, information collected and
  comments concluded thereof
  should be exactly recorded in the
  original working drafts of the case.
- III. In terms of the resources of data,

  parameters as well as information
  that are adopted, one should assess
  the completeness, correctness and
  rationality thereof one by one to be
  the fundamental of the appraisal
  report or opinion letter.
- IV. Statement contents should include
  the proof of professionality and
  independence of the relational
  personnel, as well as the rationality,
  accuracy and concerning laws
  which are to be followed of the
  information used for assessment.

Article 17

Excluding the purchase of domestic bonds of ROC (Taiwan), RP securities, RS securities or subscription or repurchase of a MMF issued by the Taiwan domestic securities investment trust enterprise, any acquisition or disposal of properties or right-of-use assets thereof of The Company from/to a related party, or any acquisition or disposal of other assets than properties or right-of-use assets thereof of The Company from/to a related party, whose transaction amount approaches 20% of the paid-in capital or 10% of the total assets of the Company, or NT\$300,000 thousand or more, must be provided with the information as below. A transaction contract or payment will not be fulfilled unless the Board ratifies it, after at least half the members of the audit committee consent:

I. NA

II. NA

III. Any properties or <u>right-of-use assets</u>
<u>thereof</u> acquired from/to a related
party should be accorded with

Article 17

Excluding the purchase of domestic bonds, RP securities, RS securities or subscription or repurchase of a MMF issued by the Taiwan domestic securities investment trust enterprise, any acquisition or disposal of properties of The Company from/to a related party, or any acquisition or disposal of other assets than properties of The Company from/to a related party, whose transaction amount approaches 20% of the paid-in capital or 10% of the total assets of the Company, or NT\$300,000 thousand or more, be provided with the information as below. A transaction contract or payment will not be fulfilled unless the Board has it ratified, after at least half the members of the audit committee consent:

I. NA

II. NA

III. Any properties acquired from/to a related party should be accorded with Article 18 to measure the relational information concerning the rationality of scheduled transaction conditions.



Article 18 to measure the relational information concerning the rationality of scheduled transaction conditions.

IV. NA V. NA VI. NA VII. NA

NA NA

Regarding any transactions listed as below between The Company and the parent company, subsidiaries, or the subsidiaries whose issued shares or total capital are 100% possessed directly or indirectly by The Company, the Board must comply with Article 7.1.3 to authorize the Chairman to be able to first decide whether to fulfill them or not with a limitation of transaction amount within NT\$300,000 thousand, and later to submit the report in the latest Board meeting for further recognition:

I. Acquisition or disposal of operating equipment or right-of-use assets thereof.

II. Acquisition or disposal of right-of-use assets of operating property. The Company has designated the independent directors, where any discussion submitted in the Board meeting should comply with Article 1, and the comments from each independent director should be also taken into consideration adequately. Any adverse or qualified opinions from the independent directors should be recorded in the meeting minutes.

The Company has designated the independent directors, where any discussion submitted in the Board meeting should comply with Article 1, and the comments from each independent director should be also taken into consideration adequately. Any adverse or qualified opinions from the independent directors should be recorded in the meeting minutes.

Article 18 Regarding any properties or <u>right-of-use</u>

IV. NA V. NA VI. NA VII. NA NA

NA

Regarding any transactions between The Company and the parent company or subsidiaries, the Board must comply with Article 7.1.3 to authorize the Chairman to first decide whether to fulfill them or not with a limitation of transaction amount within NT\$300,000 thousand, and later to submit the report to the latest Board meeting for further recognition. The Company has designated the independent directors, where any discussion submitted in the Board meeting should comply with Article 1, and the comments from each independent director should be also taken into consideration adequately. Any adverse or qualified opinions from the independent directors should be recorded in the meeting minutes.

Article 18

Regarding any properties acquired



assets thereof acquired from/to a related party by The Company, rationality of the transaction costs should be measured according to the methods as listed below:

I. NA

II. NA

Where the lands and structures thereupon are merged as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the lands and structures are to be separately appraised in accordance with either of the methods listed in the preceding paragraph. Regarding any properties or <u>right-of-use</u> <u>assets thereof</u> acquired from/to a related party by The Company, costs of the properties should be measured in compliance with the two provisions in the preceding paragraph, and accountants should be consulted with for reviewing and specific commenting.

Regarding any properties or right-of-use assets thereof acquired from/to a related party by The Company, Article 17 should be followed instead of the previous three provisions in the preceding paragraph if any circumstances described as below occur.

I. A related party acquires any properties or right-of-use assets thereof by inheritance or as a gift.

II. NA

III. NA

IV. Where any acquisition of right-ofuse assets of operating properties between a public company and the parent company, subsidiaries, or the subsidiaries whose issued shares or total capital are 100% possessed directly or indirectly thereof.

If the estimates concluded by both Article 1 as well as Article 2 followed by The Company are less than a transaction price, then Article 19 should be complied with. Whereas any circumstances described as below, where the objective evidences, as well as the specifically reasonable comments concluded by the professional property appraisers and accountants, are not subject to this

from/to a related party by The Company, rationality of the transaction costs should be measured according to the methods as listed below:

I. NA

II. NA

Regarding any lands and structures of the same subject matter purchased together, the transaction costs thereof should be measured through either of the methods listed as above.

Regarding any properties acquired from/to a related party by The Company, the costs thereof should be measured in compliance with the two provisions in the preceding paragraph, and accountants should be consulted with for reviewing and specific commenting.

Regarding any properties or right-of-use assets thereof acquired from/to a related party by The Company, Article 17 should be followed instead of the previous three provisions in the preceding paragraph if any circumstances described as below occur.

I. A related party acquires any properties by inheritance or as a gift.

II. NA

III. NA

If the estimates concluded by both Article 1 as well as Article 2 followed by The Company are less than a transaction price, then Article 19 should be complied with. Whereas any circumstances described as below, where the objective evidences, as well as the specifically reasonable comments concluded by the professional property appraisers and accountants, are not subject to this restriction:

- I. Where the related party acquired an undeveloped land or a leased land for new construction, either of the following conditions must be proven by evidence:
- 1. NA
- 2. Transactions to an unrelated party within the preceding year involving other floors of the same property or neighborhoods, where the land areas are alike, and the transaction conditions are similar after being assessed for the



restriction:

- I. Where the related party acquired an undeveloped land or a leased land for new construction, either of the following conditions must be proven by evidence:
- 1. NA
- 2. Transactions to an unrelated party within the preceding year involving other floors of the same property or neighborhoods, where the land areas are alike, and the transaction conditions are similar after being assessed for the reasonable discrepancies in price between each floor or land area in accordance with the standard criteria of a property commerce or lease agreement.
- II. The Company raises the evidences of the properties purchased or the right-of-use assets of properties leased from/to a related party, whose transaction conditions are similar to the ones of the neighborhoods with other unrelated parties within the preceding year, also the land areas are alike as well.

Where the transactions of neighborhoods described as above are transacted due to the same or adjacent street which ranges within 500 meters to the subject matter of transaction, or, whose current values are similar to the subject matter. Wherein the similar land area as above is defined as that, a land area transacted with other unrelated parties is subject to be at least 50% proportionated of the one of this subject matter. Also, "within the preceding year" herein refers to the date of occurrence of acquisition of the properties or the right-of-use assets of properties this time, and is then retrospective for one year.

reasonable discrepancies in price between each floor or land area in accordance with the standard criteria of a property commerce.

- 3. Lease agreements to an unrelated party within the preceding year involving other floors of the same property, where the agreement conditions are similar after being assessed for the reasonable discrepancies in price between each floor in accordance with the standard criteria of a property lease agreement.
- II. The Company raises the evidences of the properties purchased or the right-of-use assets of properties leased from/to a related party, whose transaction conditions are similar to the ones completed of the neighborhoods with other unrelated parties within the preceding year, also the land areas are alike as well.

Where the completed transactions of neighborhoods described as above are principled due to the same or adjacent street which ranges within 500 meters to the subject matter of transaction, or, whose current values are similar to the subject matter. Wherein the similar land area as above is defined as that, a land area transacted with other unrelated parties is subject to be at least 50% proportionated of the one of this subject matter. Also, "within the preceding year" herein refers to the date of occurrence of acquisition of the properties this time, and is then retrospective for one year.

Article 19

Regarding any properties or <u>right-of-use</u> <u>assets thereof</u> acquired from/to a related party by The Company, those transaction costs measured as the lower ones pursuant to Article 18 should be dealt

Article 19

Regarding any properties acquired from/to a related party by The Company, those transaction costs measured as the lower ones pursuant to Article 18 should be dealt with by the following:



with by the following:

- I. Appropriated retained earnings should be accounted for the discrepancies between transaction prices and estimated prices of properties or right-of-use assets thereof, and distribution or capital increase for share distribution shall be prohibited. If an investor who adopts the equity method to launch an investment to The Company is a public company, then the appropriated retained earnings should also be accounted for the accounting amount by shareholding ratio.
- II. Independent directors of the audit committee are allowed to apply to Article 218 of "Company Act".
- III. Treatment as by the first as well as the second provisions in the preceding paragraphs should be reported in the shareholders meeting, also all the details of transactions should be disclosed in the Annual Report and Prospectus.

Appropriated retained earnings accounted by The Company in compliance with the former provision will not be operated until the recognized loss by a falling price of an asset which is purchased or leased at a higher price or the disposal or termination of a lease agreement is compensated properly recovered or not any irrationalities found via other evidences, and then after being ratified by the securities authorities.

Regarding any properties or right-of-use assets thereof acquired from/to a related

- I. Appropriated retained earnings should be accounted for the discrepancies between transaction prices and estimated prices of properties, and distribution or capital increase for share distribution shall be prohibited. If an investor who adopts the equity method to launch an investment to The Company is a public company, then the appropriated retained earnings should also be accounted for the accounting amount by shareholding ratio.
- II. The audit committee should comply with Article 14.5 of Securities and Exchange Act of the region where The Company is listed.
- III. Treatment as by the first as well as the second provisions in the preceding paragraphs should be reported in the shareholders meeting, also all the details of transactions should be disclosed in the Annual Report and Prospectus.

Appropriated retained earnings accounted by The Company in compliance with the former provision will not be operated until the recognized loss by a falling price or disposal of an asset which is purchased at a higher price is compensated properly or recovered, or, not any irrationalities found via other evidences, and then after being ratified by the securities authorities. Regarding any properties or right-of-use assets thereof acquired from/to a related party by The Company, the two provisions in the preceding paragraph should be complied with if any evidence shows that there is violation of



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party by The Company, the two	operational regulations in the	
provisions in the preceding paragraph	transactions.	
should be complied with if any evidence		
shows that there is violation of		
operational regulations in the		
transactions.		



# **Topic 3: Amendment to Certain Articles of "Procedures of Endorsement and Guarantee"**

Board's Proposals

## Descriptions:

- I. Part of the articles in "Management of Endorsements and Guarantees" of the Company are amended due to the amendments to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
- II. Please refer to Page 52 55 of the handbook for comparison table of the articles.
- III. Please be informed for discussion.

## Resolution:



Comparison Table of Articles of "Management of Endorsements and Guarantees"

	Amendment	Current Article	Description
Article 2	Object of an	Object of an	
	Endorsement/Guarantee	Endorsement/Guarantee	
	The company must	The company must	
	endorse/guarantee for the	endorse/guarantee for the	
	companies listed below:	companies listed below:	
	I. Omitted	I. Omitted	
	II. Omitted	II. Omitted	
	III. Omitted	III. Omitted	
	All the companies whose equities	Companies whose equities with	
	with voting rights are possessed	voting rights are directly or	
	by at least 90% by the Company	indirectly owned 100% by the	
	directly or indirectly, must	Company must endorse/guarantee	
	endorse/guarantee for each other,	for each other.	
	where the amounts cannot exceed	Omitted.	
	10% of the net worth in the last	Omitted	
	financial statements of the		
	Company. Whereas companies		
	whose equities with voting rights		
	are directly or indirectly owned		
	100% by the Company are not		
	subject to this limitation.		
	Omitted		
	Omitted		
Article 3	Credit Facilities of	Credit Facilities of	Coordination
	Endorsements/Guarantees	Endorsements/Guarantees	with Laws
	I. Limitation is defined as a total	I. Total amount of	and Practical
	amount of a foreign	endorsements/guarantees is	Amendment
	endorsement/guarantee that	subject to the total assets of the	
	cannot exceed 50% at most	net worth in the last financial	
	of the net worth in the last	statements of the Company.	
	financial statements of the	II. Regarding an object	
	Company.	complying with the conditions in	
	II. Limitation is defined as a total	Article 2.1.1, the limitation is	
	amount of a foreign	defined as a total amount of a	
	endorsement/guarantee	foreign endorsement/guarantee	
	toward a single company that	toward a single company that	
	cannot exceed 50% at most	cannot exceed the total assets in	
	of the net worth in the last	the last financial statements of the	
	financial statements of the	Company.	



Company.

- III. Limitation is defined as a total amount of a foreign endorsement/guarantee toward a single company that cannot exceed 50% at most of the net worth in the last financial statements of the Company and its subsidiaries.
- IV. Limitation is defined as a total amount of a foreign endorsement/guarantee toward a single company that cannot exceed 50% at most of the net worth in the last financial statements of the Company and its subsidiaries.

Regarding an object complying with the conditions in Article 2.1.1, the limitation is defined that a total amount of a foreign endorsement/guarantee toward a single company that cannot exceed the amount of business interaction between both parties, except the limitations listed as above. Amount of business interaction represents purchase, sales and service provision between both parties and the higher one is accounted for.

III. Regarding an object complying with the conditions in Article 2.1.1, the limitation is defined as a total amount of a foreign endorsement/guarantee toward a single company that cannot exceed the amount of business interaction between both parties, except for the limitations listed above. Amount of business interaction represents purchase, sales and service provision between both parties and the higher one is accounted for. IV. Companies whose equities with voting rights are directly or indirectly owned by at least 90% by the Company must endorse/guarantee for each other, after the Company has been made public in the listing region, whereas the amount cannot exceed 10% of the net worth of the Company, and shall not be carried out until its submission been resolved through the Board. Whereas companies whose equities with voting rights are directly or indirectly owned 100% by the Company are not subject to this limitation. Total amount of the necessary endorsements/guarantees defined by the Company and its subsidiaries, which approaches at least 50% of the net worth of the Company, should be explained as well as the rationale to the shareholders of the Company, and let the shareholders understand the risks of the endorsement/guarantee of the



		Company.	Discussions
Article 8	I. NA	I. NA	Pursuant to
11111110	II. Endorsements/guarantees	II. Endorsements/guarantees	Laws,
	which meeting either of the	which meeting either of the	Regulations
	standards listed as below	standards listed as below	and Practical
	should be announced two	should be announced two	Amendments
	days prior to the date of	days prior to the date of	7 tinenaments
	occurrence:	occurrence:	
	1. NA	1. NA	
	2. NA	2. NA	
	3. Where the residual value	3. Where the residual value	
	of endorsement/guarantee	of endorsement/guarantee	
	toward a single	toward a single	
	incorporation by The	incorporation by The	
	Company and its	Company and its	
	subsidiaries is at least	subsidiaries is at least	
	NT\$10,000 thousand,	NT\$10,000 thousand,	
	also the sum of	also the sum of	
	endorsement/guarantee	endorsement/guarantee	
	thereof, carrying amount	thereof, ling-term	
	of the investment adopted	investment, plus residual	
	with the <u>equity method</u> ,	value of the loan funds, is	
	plus residual value of the	at least 30% of the net	
	loan funds, is at least 30%	worth of The Company in	
	of the net worth of The	the latest financial	
	Company in the latest	statements.	
	financial statements.	4. NA	
	4. NA	III. NA	
	III. NA	IV. Date of occurrence indicated	
	IV. Date of occurrence indicated	in the preceding paragraph II	
	in the preceding paragraph II	implies transaction contract	
	implies contract date,	date, payment date, Board	
	payment date, Board	resolution date, and other	
	resolution date, and other	more authentic information	
	more authentic information	than the former one which	
	than the former one which	can confirm the targets and	
	can confirm the targets and	amounts of the transactions.	
	amounts of the	V. NA	
	endorsements/guarantees.	,,,,,,,	
	V. NA		
	7 . 1 1/1 1		<u> </u>



## Article 10

The procedures shall not be executed unless at least half the members of the audit committee consent, and later ratified by both the Board and shareholders' meeting; it shall be ditto as well when amending them. Should there be any amendments to the relational laws and regulations after the procedures are defined, the procedures shall be amended properly in accordance with the amendments; also, the amended procedures shall be submitted to the audit committee, Board and shareholders meeting for ratification.

NA on the below.

The procedures shall not be executed unless at least half the members of the audit committee consent, and later ratified by both the Board and shareholders' meeting; it shall be ditto as well when amending them. Should there be any amendments to the relational laws and regulations after the procedures are defined, the procedures shall be amended properly in accordance with the amendments: also, the amended procedures shall be submitted to the audit committee, Board and shareholders meeting for ratification. Should there be any objections inrecords or proclamations in writing from a director or independent director, the contentthereof must be detailed in the Board meeting minutes, and then be submitted in the shareholders meeting for discussion.

NA on the below.



# **Topic 4: Amendment to Certain Articles of "Procedures of Loaning Capital to Others"**

Board's Proposals

## Descriptions:

- I. Part of the articles in "Management of Loans to Others" of the Company are amended due to the amendments to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
- II. Please refer to Page 57 60 of the handbook for comparison table of the articles.
- III. Please be informed for discussion.

Resolution:



Comparison Table of Articles of "Management of Loans to Others"

Amendment	Current Article	Description
Article 2	Article 2	Identical to
This article is deleted.	NA	Article 1 of
		Current
		Articles
Article 2	Article 3	Pursuant to the
Limitations subject to the total amounts of	Limitations subject to the total	laws and
loan funds and the amounts of individual	amounts of loan funds and the	regulations for
loans are as below:	amounts of individual loans are as	amendment.
1. In terms of the targets whoever meet	below:	
the conditions of Article 1.1,	1. In terms of the targets whoever	
limitations of the total amounts of loan	meets the conditions of Article 1.1,	
funds and the amounts of individual	limitations of the total amounts of	
loans must be defined as being 40%	loan funds are defined subject to	
of the net worth at most of The	the net worth of the companies	
Company in the latest financial	lending the funds in the latest	
statements.	financial statements, while	
2. NA	limitations of the amounts of	
3. Any funds loaned between the	individual loans are defined	
companies which are not registered in	subject to the transaction amounts	
Taiwan, as well as whose voting rights	of business between both parties.	
by shareholding ratios are 100%	2. NA	
possessed directly or indirectly by The	3. Any funds loaned between the	
Company, or, any funds loaning	companies which are not	
between The Company and the	registered in Taiwan, as well as	
companies which are not registered in	whose voting rights by	
Taiwan, as well as whose voting rights	shareholding ratios are 100%	
by shareholding ratios are 100%	possessed directly or indirectly by	
possessed directly or indirectly by The	The Company, shall not be	
Company, shall not be restricted by	restricted by the preceding	
the preceding provision, and both the	provision, and both the total	
total amounts of loan funds and the	amounts of loan funds and the	
amounts of individual loans shall be	amounts of individual loans shall	
limited by the asset net worth of the	be limited by the asset net worth of	
companies lending the funds.	the companies lending the funds.	



Should the responsible person of The
Company violate the three provisos in the
preceding paragraph, he/she should bear
the joint liability with the borrower for
repayment; should there be any losses of
The Company, he/she should bear the
liability for compensation.

Article 5

NA

NA

NA

Pursuant to
Laws,
Regulations,
and Practical

Amendments

NA NA

Article 4

NA

In terms of the "specific amount" as referred to above, besides the targets stipulated in Article 2.3, limitations of the credit line of loan funds from The Company or its subsidiaries to a single incorporation are defined as 10% of the net worth at most of The Company in the latest financial statements.

If a lending target meets the conditions described in Article 2.3 of the procedures, the term of funds loaning is subject to one year at least, and five years at most.

NA

The Company has assigned the independent directors. Regarding funds loaning to others by The Company, every comment of each independent director should be profoundly taken into consideration; should there be any adverse or qualified opinion from an independent director, the content thereof must be detailed in the Board meeting minutes.

In terms of the "specific amount" as referred above, besides the targets stipulated in Article 3.3, limitations of the credit line of loan funds from The Company or its subsidiaries to a single incorporation are defined as 10% of the net worth at most of The Company in the latest financial statements.

If a lending target meets the conditions described in Article 3.3 of the procedures, the term of funds loaning is subject to one year at least, and five years at most. Under any circumstances it is necessary to exceed five years,—Subsequent—loaning will not be fulfilled unless the Board meeting has it ratified.

NA

The Company has assigned the independent directors. Regarding funds loaned to others by The Company, every comment of each independent director should be



大洋日 <b>贞</b>	Торіс	Discussions
	profoundly taken into consideration;	
	should there be any exact comments	
	or opposite reasons of consent or	
	objection from an independent	
	director, the content thereof must be	
	detailed in the Board meeting	
	minutes.	D 44
Article 7	Article 7	Pursuant to Laws,
NA	NA	Regulations
1. NA	1. NA	and Practical
2. NA	2. NA	Amendments
3. NA	3. NA	
NA	NA	
The Company should be pursuant to <u>IAS</u>	The Company should be pursuant to	
to assess the funds loan to account for	the general accounting standards of	
sufficient allowance for bad debts, to	the region where The Company is	
appropriately disclose the related	listed to assess the funds loan to	
information in the financial statements,	account for sufficient allowance for	
and to provide the relational information	bad debts, to appropriately disclose	
for the CPA to perform the necessary	the related information in the	
audit procedures.	financial statements, and to provide	
NA	the relational information for the	
Date of occurrence indicated in the	CPA to perform the necessary audit	
preceding paragraph 2 implies contract	procedures.	
date, payment date, Board resolution	NA	
date, and other more authentic	Date of occurrence indicated in the	
information than the former one which	preceding paragraph 2 implies	
can confirm the targets and amounts of	transaction contract date, payment	
the <u>funds loaned</u> .	date, Board resolution date, and other	
NA	more authentic information than the	
	former one which can confirm the	
	targets and amounts of the	
	transactions.	
	NA	



## Article 9

The procedures shall not be executed unless at least half the members of the audit committee consent, and later ratified by both the Board and shareholders' meeting; it shall be ditto as well when amending them.

NA on the below.

## Article 9

The procedures shall not be executed unless at least half the members of the audit committee consent, and later ratified by both the Board and shareholders' meeting; it shall be ditto as well when amending them.

Should there be any objections in records or proclamations in writing from a director or independent director, the content thereof must be detailed in the Board meeting minutes, and then be submitted in the shareholders meeting for discussion.

NA on the below.



## Adjournment

## **Appendix**

## **Appendix I: Articles of Incorporation**

## THE COMPANIES LAW(2013 Revision) Company Limited by Shares

## SIXTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION

(adopted pursuant to special resolutions of the shareholders

of the Company passed on the [\*] day of [\*], 2018)

OF

## GRAND OCEAN RETAIL GROUP LIMITED

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

"Subsidiary"	any other person or entity that directly, or indirectly through one or more intermediaries, is controlled by, or is under common control with the Company. For the purposes of this definition, "control" (including the terms "controlling", "controlled by" and "under common control with"), shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of the Company, whether through ownership of voting securities, by contract, agency or otherwise;
"Articles"	means the Articles as originally framed or as from time to time altered by Special Resolution.
"Applicable Law"	means the laws of the ROC, the rules of the Designated Stock Market, the Statute or such other rules or legislation applicable to the Company.
"Approved Stock Exchange"	means a stock exchange listed in the Fourth Schedule to the Statute.
"Audit Committee"	means the audit committee of the Company formed by the Board pursuant to Article 120 hereof, or any successor audit committee.
"Commission"	means the Financial Supervisory Commission of the ROC or any other authority for the time being administering the ROC SEA.
"Company"	means the above named Company.

"Compensation means the compensation committee formed by the Board pursuant to Article 89(f) hereof.

"Cumulative Voting" means the voting mechanism for an election of Directors as described in Article 67.

"Debenture" means debenture stock, mortgages, bonds and any other such

means debenture stock, mortgages, bonds and any other such securities of the Company whether constituting a charge on the assets of the Company or not.

"Designated Stock Market"

means the Taiwan Stock Exchange Corporation.

"Board" means the board of directors appointed or elected pursuant to these Articles and acting at a meeting of directors at which there is a quorum in accordance with these Articles.

"Directors" means the directors for the time being of the Company.

"Dividend" includes bonus.

"Family Relationship within Second Degree of Kinship" in respect of a person, means another person who is related to the first person either by blood or by marriage of a member of the family and within the second degree to include but not limited to the parents, siblings, grandparents, children and grandchildren of the person as well as spouse's parents, siblings and grandparent.

"Independent Directors"

as defined in the Securities and Exchange Act of the ROC and rules and regulations promulgated thereunder;

"Joint Operation Contract" a contract between the Company and one or more person(s) or entit(ies) where the parties to the contract agree to pursue the same business venture and jointly bear losses and enjoy profits arising out of such business venture in accordance with the terms of such contract.

"Lease Contract"

means a contract or arrangement between the Company and any other person(s) pursuant to which such person(s) lease or rent from the Company the necessary means and assets to operate a material or substantial part of the business of the Company in the name of such person and for the benefits of such person, and as consideration, the Company receives a pre-determined compensation from such person.

"Legal Reserves"

means the designated reserve allocated from profits of the Company in accordance with the Applicable Law.

"Litigious or Non-Litigious Agent (訴訟 或非訟代理人)" means a person appointed by the Company pursuant to the Applicable Law as the Company's responsible person in the ROC (本公司於中華民國境內之負責人).

"Management Contract"

means a contract or arrangement between the Company and any other person(s) pursuant to which such person(s) manage and operate the business of the Company in the name of the Company and for the benefits of the Company, and as consideration, such person(s) received a pre-determined compensation while the Company continues to be entitled to the profits (or losses) of such business.

"Member"

shall bear the meaning as ascribed to it in the Statute.

"Month"

means calendar month.

"NTD"

New Taiwan Dollars

"Ordinary Resolution" means a resolution passed at a general meeting (or, if so specified, a meeting of Members holding a class of shares) of the Company of which a quorum is present by a majority of more than one-half of the votes cast by such Members as, being entitled so to do, vote in person, or in the case of any Member being a corporation, by its duly authorised representative, or where proxies are allowed, by proxy;

"Paid-up"

means paid-up and/or credited as paid-up.

"Registered Office"

means the registered office for the time being of the Company.

"Retained Earnings"

means profits of the Company including but not limited to sums allocated to the Legal Reserves, Special Reserves, and

unappropriated earnings.

"ROC"

means the Republic of China.

"ROC SEA"

means the Securities and Exchange Act of the ROC as amended and every statutory modification or re-enactment thereof for the time being in force.

"Seal"

means the common seal of the Company and includes every duplicate seal.

"Secretary"

includes an Assistant Secretary and any person appointed to perform the duties of Secretary of the Company.

"Share"

includes a fraction of a share.

"Special Reserves"

means the reserve allocated from profits of the Company in accordance with the Applicable Law, or resolutions of

shareholders meetings.

"Special Resolution" means a resolution passed at a general meeting (or, if so

specified, a meeting of Members holding a class of shares) of the Company of which a quorum is present by a majority of at least two-thirds of the vote cast by such Member as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which the quorum is present, specifying (without prejudice to the power contained in these Articles to amend the same) the

intention to propose the resolution as a special resolution.

means the Companies Law of the Cayman Islands as amended and every statutory modification or re-enactment thereof for the

time being in force.

"Treasury Shares" means Shares that were previously issued but were purchased,

redeemed, otherwise acquired by or surrendered to the Company which are held by the Company and not cancelled.

"Written" and In include all modes of representing or reproducing words in visible Writing" form.

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

Words importing the masculine gender only include the feminine gender.

Words importing persons only include corporations.

"Statute"

<u>Section 8 of the Electronic Transactions Law shall not apply to the extent that it imposes obligations or requirements in addition to those set out.</u>

- 2. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit, notwithstanding that part only of the shares may have been allotted.
- 3. The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

### **CERTIFICATES FOR SHARES**

- 4. Shares of the Company may be issued in uncertificated/scripless form. If shares are issued in certificated forms, certificates representing shares of the Company shall be in such form as shall be determined by the Directors. 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 of the Company. All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled. The Directors may authorize certificated 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 share certificate be defaced, lost or destroyed, it may be renewed on payment of a fee of one dollar (US\$1.00) or such less sum and on such terms (if any) as to evidence and indemnity and the payment of the expenses incurred by the Company in investigating evidence, as the Directors may prescribe.

6. Share certificates may not be issued in bearer form.

## **ISSUE OF SHARES**

- 7. (a) Subject to the requirements of these Articles and Applicable Law, the issuance of shares or securities shall be at the disposal of the Board of Directors provided that the issuance must be approved by a majority vote cast at a meeting of the Board with two-thirds (2/3) or more of the total number of Directors present and where shares carrying any deferred, additional or special rights are proposed to be issued, such issuance shall require the approval of the Members in accordance with Article 7(b) below. Subject to the foregoing, the Board may offer, allot, grant options over, or otherwise dispose of them to such persons, on such terms and conditions as the Directors may in their absolute discretion determine, but so that no share shall be issued at a discount, except in accordance with the provisions of the Statute.
  - (b) Subject to these Articles and to any resolution of the Members to the contrary, the rules of the Designated Stock Market, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, where the Board proposes to issue any share that carry any deferred, additional or special rights (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of such shares), such issuance shall be subject to the prior approval of the Members by way of Special Resolution and the Members may by Special Resolutions approve the issuance of any share with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise, provided that no share shall be issued at a discount except in accordance with the Statute; and, the Memorandum and these Articles shall thereupon be amended with the sanction of a Special Resolution to stipulate the rights, benefit and restriction of any such preferred or deferred shares and the authorised number of the preferred or deferred shares.
  - (c) Subject to these Articles and the rules of the Designated Stock Market, where the Board proposes to issue any shares to the employees of the Company and/or its Subsidiaries with deferred rights or subject to restrictions (whether contractual or otherwise) in accordance with the terms of their issue, such issuance shall be subject to the prior approval of the Members by way of Special Resolution. The amount, price and terms of any such restricted shares shall be determined in accordance with the Applicable Law.
- 8. (a) The Company shall maintain a register of its Members which may be kept outside the Cayman Islands at such place as the Directors shall approve and every Member shall be entitled, without payment, to a certificate of the Company specifying the share or shares held by him and the amount paid up thereon within thirty (30) days from the date that the name of Member is entered in the Register of Members in respect of such shares acquired by such Member, issue share certificates in accordance with these Articles and deliver the share certificates to the Members, unless the shares of the Company are issued in scripless form. In respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. The Company shall publicly announce in the manner permitted by Applicable Law the time and procedure for Members to collect their share certificates. Where the shares are issued in scripless form and where applicable, the Company shall procure and instruct the relevant depositary or clearing house to make the necessary book entries to reflect the entitlement of the relevant Member in accordance with the Applicable Law.
  - (b) The Board may cause to be kept in any country or territory one or more branch registers of such category or categories of members as the Board may determine from time to time and any branch register shall be deemed to be part of the Company's register of members. Where a branch register is kept, the Company shall cause to be kept at the place where the principal register of members of the Company is kept a duplicate of any branch register duly entered up from time to time within twenty-one (21) days (or within such other time period required under the Law) after establishing

such branch register or making changes to the details recorded in the branch register.

- (c) Any register maintained by the Company in respect of listed shares, which are defined as the shares of the Company traded or listed on an Approved Stock Exchange,may be kept by recording the particulars set out in section 40 (as amended from time to time) of 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 provided that if a listed shares register is maintained, the Company must also maintain, in respect of any shares of the Company which are not listed shares, a separate register of members in accordance with section 40 (as amended from time to time) of the Statute.
- 9. Notwithstanding any other provision in these Articles, all shares of the Company must be fully paid for or credited as fully paid up upon issue.

#### TRANSFEF OF SHARES

- 10. All transfers of shares which are in certificated form may be effected by transfer in writing in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid up, by or on behalf of the transferee. Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.
- 11. Any transfer in respect of shares of the Company which are traded or listed on an Approved Stock Exchange may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the relevant Approved Stock Exchange that are or shall be applicable to such shares of the Company which are traded or listed on such an Approved Stock Exchange.
- 12. The registration of transfers may be suspended at such time in accordance with Article 22, or otherwise for such periods as the Directors may from time to time determine appropriate subject to the requirements of the Articles and the Applicable Laws.

#### REDEEMABLE SHARES AND PURCHASE OF SHARES

- 13. Subject to the compliance with the Applicable Law,
  - (a) Subject to the provisions of the Statute and the Memorandum of Association, shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of the shares, may by Special Resolution determine.
  - (b) Subject to the Statute, these Articles and, where applicable, the rules of the Designated Stock Market and/or any competent regulatory authority, the Company shall have the power to purchase or otherwise acquire its own shares, including a purchase of shares in connection with Article 62 or paragraph (c) below and to accept the surrender of its fully paid up shares without consideration. Unless a purchase is made in connection with Article 62 (other than a purchase that involves a pro rata purchase and cancellation of shares of the Company among all the Members which shall also be subject to approval by way of Ordinary Resolution under Article 13(h)), any purchase by the Company of its shares listed in the Designated Stock Market shall be approved by consent of majority of the Directors present at the meeting attended by two-thirds (2/3) or more of the total number of Directors, and the relevant board resolution approving the purchase and execution thereof by the Company (or lack thereof) shall be reported in the following general meeting of the Members.. The Company may make payments in respect of the purchase of its shares out of capital or out of any other account or fund legally available in accordance with the Statute.

- (c) Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) may be cancelled immediately or held as Treasury Shares in accordance with the Statue and on such terms and conditions as determined by the Directors. In the event that the Directors do not resolve that the relevant shares are to be held as Treasury Shares, such shares shall be cancelled.
- (d) No dividend may be declared or paid, and no other distribution (whether in cash, shares, bonus issue or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be declared or paid in respect of a Treasury Share.
- (e) The Company shall be entered in the Register as the holder of the Treasury Shares provided that:
  - (i) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
  - (ii) any Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Statute.
  - (iii)subject to other provisions in these Articles, Treasury Shares may be disposed of, transferred or cancelled by the Company on such terms and conditions as determined by the Directors.
- (f) Without prejudice to the generality of Article 13(e)(iii) and subject to compliance with the Statute, the Company may transfer the Treasury Shares to the employees of the Company and/or of the Company's Subsidiary(ies), and the Board may impose a lock-up period restricting the transfer of any Treasury Shares transferred to the employees pursuant to this Article 13(f) for a term of up to two (2) years, provided, however, if the Company shall transfer the Treasury Shares to the employees of the Company and/or of the Company's Subsidiary(ies) for a consideration that is less than the consideration paid by the Company, such transfer of Treasury Shares is subject to approval by the Members by way of a Special Resolution passed at a general meeting of the Members, and the following matters shall be specified with reasonable explanation in the notice of such general meeting of the Members:
  - (i) consideration receivable by the Company for the disposal of the Treasury Shares and the applicable discount rate as determined by reference to the consideration paid by the Company as well as calculation basis and an assessment of the reasonableness thereof;
  - (ii) number of Treasury Shares subject to the transfer, purpose of the transfer and an assessment of the reasonableness thereof;
  - (iii) qualification requirements of employee(s) eligible to purchase such Treasury Shares and the number of Treasury Shares to be purchased by such employee(s); and
  - (iv) effects on the share capital, share premium and profits and loss of the Company, including the amount to be booked as expenses of the Company relating to the transfer, the dilution effect on the Company's per share earning, and any adverse effect on the Company's financial circumstances that may be caused by disposing the Treasury Shares for a consideration that is less than the consideration paid by the Company.

The foregoing matters shall not be discussed or submitted for voting or proposed for discussion or approval at a general meeting unless they have been included in the notice of such general meeting.

(g) The aggregate number of Treasury Shares to be purchased by the employees of the Company and/or of the Company's Subsidiary(ies) pursuant to approvals obtained at one or more general meetings of the Members under paragraph (f) may not, whether in a single or series of

transaction(s), exceed five percent (5%) of the total issued shares of the Company at any time, and the total cumulative amount of shares purchased by any single employee may not, in a single or series of transaction(s), exceed 0.5% of the Company's total number of issued shares at any time.

- (h) Subject to the Statute, these Articles and, where applicable, the rules of the Designated Stock Market and/or any competent regulatory authority, the Company may by Ordinary Resolution authorize and approve a repurchase of its own shares from all of the Members, provided that
  - (i) The number of shares to be repurchased pursuant to a repurchase of Shares described in this Article 13 (h) shall be pro-rata among the Members in proportion to the number of shares held by each such Member and all repurchased shares shall be cancelled;
  - (ii) In connection with a repurchase of shares, the Company may make payments in respect of the repurchased shares either in cash or in kind out of any account or funds legally available therefor. The value and amount of any payment in kind shall be determined and approved at the general meeting of the Members and consented to by the Members receiving such payment in kind in writing as consideration for the repurchased shares, and the Board shall have a ROC certified public accountant issue an appraisal and/or audit report in respect of the value and amount of the payment in kind as consideration prior to the general meeting.

Subject to compliance with the above, any approval granted by the Members in accordance with this Article 13(h) shall be binding on each and every Member(s) irrespective of whether such Member was a Member at the time that such approval was granted or whether such Member had abstained from voting, voted for or against such resolution at the general meeting approving such repurchase of shares of the Company and no further transfer document(s) shall be required from any Member whose shares are subject to the repurchase to effect the transfer of the repurchased shares to the Company for cancellation and/or for implementation of the repurchase of shares authorized in accordance with this Article 13(h), save and except where the repurchase price is payable in kind then the written consent of the relevant Member receiving such payment in kind shall be required.

(i) Subject to Applicable Law and the requirements of these Articles, the Company may, by a majority vote cast at a meeting of the Board at which two thirds (2/3) or more of the total number of Directors are present, grant such number of employee stock options, and set forth the terms of employee stock option issuance and exercise plan. Employee stock options may be granted to the employees of the Company and/or of the Company's Subsidiary(ies) in accordance with the Applicable Law. A total of [10,000,000] shares among the authorised shares of the Company should be reserved for issuing shares upon an exercise of the employee stock options. An employee stock option shall not be transferrable, except through transfer by inheritance or intestacy.

## **VARIATION OF RIGHTS OF SHARES**

- 14. (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 the shares of that class.
  - (b) The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares.
- 15 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 or issue of further shares ranking pari passu therewith.

## NON-RECOGNITION OF TRUSTS

16. No person shall be recognized 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 interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

#### REGISTRATION OF EMPOWERING INSTRUMENTS

17. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

## TRANSMISSION OF SHARES

- 18. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognized by the Company as having any title to his 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 solely or jointly with other persons.
- 19. (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 than by transfer )may, upon such evidence being produced as may from time to time be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to make such transfer of the share to such other person nominated by him 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 suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy as the case may be.
  - (b) If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- 20. A person becoming entitled to a share in certificated form by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer ) shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he 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 membership in relation to meetings of the Company PROVIDED HOWEVER that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety days the Directors 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.

## AMENDMENT OF MEMORANDUM OF ASSOCIATION, CHANGE OF LOCATION OF REGISTERED OFFICE & ALTERATION OF CAPITAL

- 21. (a) Subject to and in so far as permitted by the provisions of the Statute, the Company may from time to time by Special Resolution alter or amend its Memorandum of Association to:
  - (i) increase the share capital by such sum to be divided into shares of such amount or without nominal or par value as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine.
  - (ii)consolidate any of its share capital into shares of larger amount than its existing shares;

- (iii)subdivide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association or into shares without nominal or par value; or
- (iv)cancel any shares which at the date of passing of the resolution have not been taken or agreed to be taken by any person.
- (b) All new shares created hereunder shall be subject to the same provisions with reference to the same provisions as the shares in the original share capital.
- (c) Subject to the provisions of the Statute, the Company may by Special Resolution change its name or alter its objects.
- (d) Subject to the provisions of the Statute, the Company may by Special Resolution reduce its share capital (including cancellation of issued shares) or any capital redemption reserve fund in any manner permitted by the Statute. Where a reduction of issued share capital is to be effected by way of cancellation of issued shares, the number of issued shares to be cancelled against each Member's shareholding shall be determined on a pro rata basis based on the total number of issued shares held by such Member relative to the total number of issued shares.
- (e) Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its registered office.

## CLOSING REGISTER OF MEMBERS OF FIXING RECORD DATE

- 22. The Register of Members shall be closed for sixty (60) days prior to the date the annual general meeting is scheduled to convene and thirty (30) days prior to the date the extraordinary general meeting is scheduled to convene. For the purpose of determining Members entitled to notice of or to vote at any such annual or extraordinary general meeting of Members or any adjournment thereof, the Directors of the Company are entitled to fix a record date by reference to the proposed date of such annual or extraordinary general meeting of Members.
- 23. For the purpose of determining the Members entitled to receive payment of any dividend or distribution, the Register of Members shall be closed for five (5) days prior to the date of the declaration of such dividend or distribution in accordance with Article 111. Subject to the requirements of these Articles, Members whose names are recorded in the Register of Members upon commencement of the above closure period shall be entitled to receive payment of any dividend or distribution, whichever the case may be.

## PRE-EMPTIVE RIGHTS OF EXISTING MEMBERS

- 24. Unless waived by an Ordinary Resolution of Members, the Company shall, when conducting any share offering other than an issuance of shares resulting from or in connection with any merger, consolidation, split-off, amalgamation, asset acquisition, group reorganisation, share swap, share subdivision, exercise of share options, warrants or awards granted to employees, conversion of convertible securities or debt instruments or pursuant to resolutions of the Board passed conditionally or unconditionally before the date these Articles became effective, subject to the Employees Pre-emptive Rights (if any), grant to the Members pre-emptive rights (the "Members Pre-emptive Rights") to subscribe for new shares of the Company in proportion respectively to their then shareholdings and advise Members, by public announcement in such manner as may be permitted by the Applicable Law and give notice to the Members of their pre-emptive rights. The Company may, if so resolved by the Board, grant to the employees (the "Employees Pre-emptive Rights") of the Company and/or of the Company's Subsidiary(ies) pre-emptive rights to subscribe for 10% to 15% of the total number of shares offered in the abovementioned share offering and the Members Pre-emptive Rights shall be made subject to the Employees Pre-emptive Rights; provided, however, that the Board may impose a lock-up period restricting the transfer of any shares subscribed by the Employees pursuant to this Article 26 for a term of up to two (2) years.
- 25. The Company shall include in its notice to the Members an explanation relating to the share offering and procedures as to how their pre-emptive rights may be exercised, and shall specify the terms and conditions (as determined by the Board in its absolute discretion) in accordance with which the

Members may exercise their pre-emptive rights. The Company shall also indicate in the notice that Members' failure to exercise their pre-emptive right in the manner so specified (including failing to exercise pre-emptive rights prior to the deadline) shall be deemed a waiver to such right. Where an exercise of the pre-emptive rights may result in fractional entitlement, the fractional entitlements of two or more Members may be aggregated to jointly subscribe for one or more whole new shares in the name of a single Member, subject to compliance with such discretions and terms and conditions as determined by the Board. Any share not taken up in the share offering may be offered by the Company to the public or for subscription by designated person(s).

When the Company conducts a share offering other than issuance of shares resulting from or in connection with any merger, consolidation, split-off, amalgamation, asset acquisition, group reorganisation, share swap, share subdivision, exercise of share options, warrants or awards granted to employees, conversion of convertible securities or debt instruments within the ROC in accordance with the ROC Securities Exchange Act and the ROC Regulations Governing the Offering and Issuance of Securities by Foreign Securities Issuer, unless the ROC competent authority deems the public offering of the new shares unnecessary or inappropriate, ten percent (10%) or any greater percentage as resolved by the Members at a general meeting (if any) of the total number of new shares to be issued shall be made available for public investors by way of public offering within the ROC in accordance with Applicable Law.

### **GENERAL MEETING**

- 27 (a) The Company shall in each year hold a general meeting as its annual general meeting no later than six (6) months after the close of each fiscal year. General meetings other than annual general meetings shall be called extraordinary general meetings.
  - (b) General meetings of the Company shall be convened by the Board and may be held at such time and place as may be determined the Board. Such meeting shall be convened in the ROC, and may be convened outside the territory of the ROC only if an application has been submitted to the Designated Stock Market for approval within two (2) days after the date of the Board resolve to convene such meeting, and such approval has been obtained by the Company.
  - (c) When a general meeting is convened outside the territory of the ROC, the Company shall appoint an agent of stock affairs within the ROC to administer and handle affairs relating to voting by Members at such general meeting.
  - (d) To the maximum extent permitted under the laws of the Cayman Islands and the Statute, the Members may, by Special Resolution, adopt or amend any rules and procedures, including the Procedural Rules of General Meeting of Members governing the general meeting of the Members. In the event of any inconsistency between the main content of these Articles and the Procedural Rules of General Meeting of Members, the Articles shall prevail to the extent required by any Applicable Law.
- 28. One or more Member(s) holding three percent (3%) or more of the total number of the outstanding voting shares of the Company continuously for a period of one (1) year or more, by filing with the Company a written proposal setting forth therein the subjects for discussion, consideration and approval and the reasons thereof, shall be entitled to request the Board to convene an extraordinary general meeting of the Company.
- 29. If the Board does not within fifteen (15) days after receiving the request duly proceed to call an extraordinary general meeting, the Member(s) making such request may convene an extraordinary general meeting by sending out a notice of general meeting in accordance with Article 30. The Board will not be required to prepare the manual referred to in Article 32 where a general meeting is convened by Member(s) according to this Article 29. Such meeting shall be held within the ROC and may be convened outside the territory of the ROC only if an application has been submitted to the Designated Stock Market for approval and such approval has been obtained. Subject to the aforesaid, a general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Directors.

#### NOTICE OF GENERAL MEETINGS

- 30. At least thirty (30) days' notice of an annual general meeting and fifteen (15) days' notice for an extraordinary meeting (exclusive of the day on which the notice is dispatched, and the day on which the meeting is to be held) shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and, as far as practicable, the other business to be conducted at the meeting.
- 31. (a) Any notice or document, whether or not, to be given or issued under these Articles from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the register of Members or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website or the website of the Designated Stock Exchange. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the register of Members and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.
  - (b) Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile, electronic mail, or such other method as the case may be.
  - (c) Notwithstanding anything to the contrary, for as long as the Company's shares are listed on the Designated Stock Market, any requirement with respect to Notice, including the manners and means of which such notice is sent, shall be in compliance with the Applicable Law and the rules of the Designated Stock Market.
  - (d) The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.
  - (e) A notice may be given by the Company to 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.
  - (f) Notice of every general meeting shall be given in any manner hereinbefore authorised to:
    - (i) every person shown as a Member in the register of Members as of the record date for such 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.
    - (ii) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his death or bankruptcy would be entitled to receive notice of the meeting; and
  - (g) No other person shall be entitled to receive notices of general meetings.

- 32. (a) For as long as the Company's shares are listed on the Designated Stock Market, the Board shall prepare a manual setting out the agenda of a general meeting of Members (including all the subjects and matters to be resolved at the meeting), and shall make public announcement(s) by uploading the content of the manual any other supplemental information to an electronic database designated by the Designated Stock Market at least twenty-one (21) days prior to a general annual meeting and at least fifteen (15) days prior to an extraordinary annual meeting. Such manual shall be distributed to the Members attending the general meeting in person, by proxy or by corporate representative(s) (where the Member is a corporation) at the general meeting.
  - (b) For as long as the Company's shares are listed on the Designated Stock Market, the Board shall prepare, and make public announcement(s) the notice of the general meeting, proxy instrument, matters for discussion, and where applicable, information relating to the election or removal of directors, by uploading such information to an electronic database designated by the Designated Stock Market at least thirty (30) days prior to a general annual meeting and at least fifteen (15) days prior to an extraordinary annual meeting. Where the Board has resolved to allow Members to exercise their voting power and cast their votes by a written instrument approved by the Board in accordance with Article 55, the Company shall distribute the above information together with the written instrument approved by the Board to the Members.
- 33. Any Member holding not less than one percent (1%) of the Company's total and outstanding shares may submit a proposal in writing to the Company for discussion at an annual general meeting. Company shall give a public notice in such manner as permitted by Applicable Law deemed appropriate by the Board specifying the place and a period of not less than ten (10) days for Members to submit proposals. A proposal submitted for discussion at an annual general meeting shall not be accepted when the Member submitting such proposal holds less than one percent (1%) of the Company's total and outstanding shares, or where the proposal consists of a matter which does not constitute a lawful object for a resolution of a general meeting in accordance with or under the Applicable Laws, or where more than one matter is included in the proposal, or where the proposal is submitted after the expiration of the specified period determined by the Board, in which case, the rejected proposal shall not be discussed at the annual general meeting. Subject to Article 34 and to the extent permitted under the Statue, a Member may, if so approved by the chairman of the relevant general meeting, bring forward any matter(s) during a general meeting for the consideration, discussion or approval by the Members at such general meeting, provided such matter(s) falls within the scope and directly relates to a matter included in the notice of general meeting.
- 34. Subject to these Articles, the following matters may not be considered, discussed or proposed for approval at a general meeting unless they have been included in the notice of general meeting with reasonable amount of explanation:
  - (a) any election or removal of Directors;
  - (b) any amendment or modification to the Memorandum of Association or these Articles, including any change of the Company name;
  - (c) any dissolution, voluntary winding-up, merger, consolidation, amalgamation or split-up of the Company;
  - (d) any proposal for the Company to enter into, amend, or terminate any Lease Contract, Management Contract or Joint Operation Contract;
  - (e) transfer whole or any substantial part of the Company's business or assets;
  - (f) acquisition of whole of the business or assets of a third-party, which materially affects the operation of the Company;
  - (g) any issuance of equity-linked securities of the Company by way of private placement;
  - (h) to the extent permitted by Applicable Law, any proposal to approve a Director to engage in competitive activities with the Company;
  - (i) upon recommendation of the Board, any proposal to distribute cash and/or stock dividends or distributions out of surplus in whole or in part by way of issuance of new shares of the Company;
  - (j) transfer of Treasury Shares to the employees of the Company and/or of the Company's Subsidiary(ies) for a consideration that is less than the consideration paid by the Company in

- accordance with Article 13(f);
- (k) issuance of any shares of the Company with deferred rights or subject to restrictions (whether contractual or otherwise) in accordance with the terms of their issue to the employees of the Company and/or its Subsidiaries; and
- (l) granting of employee stock options with an exercise price per share that is lower than the closing price of shares of the Company traded on the Taiwan Stock Exchange as of the grant date.

## PROCEEDINGS AT GENERAL MEETINGS

- 35. (a) Save as herein otherwise provided (in particular, Article 47) and subject to any additional requirements provided for under these Articles, one or more Members holding in the aggregate more than one-half (1/2) of the total issued share capital of the Company present in person or by proxy and entitled to vote shall be a quorum for convening a general meeting. If the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting of the Company held during such time.
  - (b) No business shall be transacted at any general meeting unless a quorum of Members is present at the time that the meeting proceeds to business. If a quorum of Members is not present at the commencement time of a general meeting, the chairman of the general meeting may postpone the commencement time of the general meeting not more than twice provided that the total postponement time shall not exceed one hour from the original commencement time. If after two postponements the number of shares represented by the attending Members has not yet constitute more than one-half (1/2) of the total issued shares, the chairman shall announce the dissolution of the Meeting.
- 36. (a) The Chairman, if any, of the Board of Directors shall preside as chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present, the Directors present shall elect one of their number to be chairman of the meeting.
  - (b) If at any general meeting no Director is willing to act as chairman or if no Director is present, the Members present shall choose one of their number to be chairman of the meeting.
- 37. The Members may resolve to adjourn the meeting within five days in accordance with Article 182 of the ROC Company Act.
- 38. The agenda of the general meeting shall be set by the Board of Directors if it is convened by the Board of Directors. Unless otherwise resolved at the general meeting, a general meeting shall proceed in accordance with the agenda. Unless otherwise resolved at the general meeting, or in exceptional cases, when there are incidents that temporarily prevent the normal progress of the general meeting, the chairman may decide to temporarily suspend the meeting and announce, depending on the situation, the time that the meeting will resume, the chairman cannot announce adjournment of the meeting before all items listed in the agenda are resolved. In case that the chairman adjourns the general meeting in violation of the Procedural Rules of General Meeting of Members, other members of the Board of Directors shall promptly assist the attending Members to elect, by a majority of votes represented by attending Members present in the Meeting, another person to serve as the chairman to continue the meeting in accordance with due procedures.
- 39. Resolutions made at a general meeting shall be compiled in the form of minutes. The chairman shall affix his/her signature or seal to the minutes, which shall be issued to Members within twenty (20) days after the end of the meeting. Minutes may be produced and issued to Members in electronic form. For as long as the Company's shares are listed on the Designated Stock Market, the minutes may be issued to Members by means of a public notice in accordance with the Applicable Law.

## **VOTES OF MEMBERS**

40. A resolution shall be voted on by way of a poll. Subject to the provisions of the Statute and these

Articles, any question proposed for the consideration of the Members at any general meeting shall be decided by way of an Ordinary Resolution, unless such question proposed is required to be decided by a Special Resolution or a resolution of Members with a higher approval threshold pursuant to the provisions of these Articles or the Statute.

- 41. Voting at a general meeting shall be based on the number of shares issued and held by the Members. On a poll, every Member presenting person or by proxy and entitled to vote shall have one vote for each share of which he is the holder.
- 42. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person 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.
- 43. 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 vote by proxy.
- 44. No Member shall be entitled to vote at any general meeting unless he is registered as a shareholder of the Company on the record date for such meeting nor other sums presently payable by him in respect of shares in the Company have been paid.
- 45. (a) To the extent required by the Applicable Law, the Member who bears a personal interest that may conflict with and impair the interests of the Company in respect of any matter proposed for consideration and approval at a general meeting shall abstain from voting any of the shares that such Member should otherwise be entitled to vote in person, as a proxy for another Member or corporate representative with respect to the said matter, but all such shares shall be counted in the quorum for the purpose of convening a general meeting pursuant to Article 35(a); provided that such Member shall not be counted as person being entitled to vote for such matter(s); the shares of Members who are required to abstain from voting shall not be counted in the number of votes of Member(s) present in respect of the relevant resolution(s) in respect of which such Member(s) is/are required to abstain from voting. To the extent that the Company has knowledge, any votes cast by or on behalf of such Member in contravention of the foregoing shall not be counted by the Company.
  - (b) To the extent required by and subject to the Applicable Law, if a Director, immediately prior to a general meeting, has charged, mortgaged or otherwise created or permitted the creation of encumbrance over more than one-half (1/2) of the total number of shares of the Company held by such Director as of the date of his appointment ("Original Shareholding"), such Director shall abstain from voting such number (rounded to the nearest whole number) of shares that exceeds one-half (1/2) of the Original Shareholding, and in respect of such number (rounded to the nearest whole number) of shares that the Director is required to abstain from voting, they shall not be counted in the number of votes of Members present at the meeting but shall be counted in the quorum for the purpose of convening a general meeting pursuant to Article 35(a). To the extent that the Company has knowledge, any votes cast by or on behalf of such Director in contravention of the foregoing shall not be counted by the Company.
- 46. Shares of the Company held by the following persons shall not carry any voting rights and shall not be counted in the total number of outstanding shares of the Company which are entitled to vote for purposes of convening a general meeting pursuant to Article 35(a):
  - (1) Any shares purchased by the Company which are held as Treasury Shares; or
  - (2) Any entity in which the Company is legally or beneficially interested in more than fifty percent (50%) of its issued and voting shares capital or equity capital; or
  - (3) Any entity in which the Company together with the holding company of the Company, or with any subsidiary of the holding company of the Company, are legally or beneficially interested in more than fifty percent (50%) of its issued and voting shares capital or equity capital.

- 47. Subject to any additional and applicable requirements under the Statute and without prejudice to Article 47B, the following matters require approval of the Members by way of a Special Resolution:
  - (1) any proposal of the Company to enter into, amend, or terminate any Lease Contract, Management Contract or Joint Operation Contracts;
  - (2) any proposal to transfer or dispose of the whole or any substantial part of the Company's business or assets;
  - (3) any proposal to acquire the whole of the business or assets of a third-party, which will have material effect on the operations of the Company;
  - (4) upon recommendation of the Board, any proposal to distribute dividends or other distributions in whole or in part by way of issuance of new shares of the Company other than any distribution of bonus shares in connection with the Employees' Remunerations and Directors' Remunerations pursuant to Article 111;
  - (5) any merger, consolidation, amalgamation, split-off or a splitting of the Company;
  - (6) any issuance of equity-linked securities of the Company by way of private placement;
  - (7) any proposal for the Company's shares to stop being publicly traded; and
  - (8) granting of employee stock options with an exercise price per share that is lower than the closing price of shares of the Company traded on the Taiwan Stock Exchange as of the grant date.
- 47B. Subject to any additional and applicable requirements under the Applicable Law, if there is (i)(a) any merger, consolidation or amalgamation involving the Company which results in the ceasation or dissolution of the Company; (b) any transfer of the whole or substantial part of assets or business of the Company; (c) any arrangement, scheme or plan involving an exchange of shares of the Company for shares or equity interests in another entity; (d) any split or spin-off of assets of the Company (any of such event, the "Trigger Event"); and (ii) the resulting, surviving, consolidated or amalgamated entity or acquirer or transferee of shares, assets or business of the Company is not be a listed or OTC company, then any such Trigger Event shall be subject to approval of the Members by way of a resolution passed by such Member(s) holding an absolute majority of at least two-thirds of the total number of issued shares of the Company entitled to vote thereon (irrespective of whether holder(s) of such shares are present or not at the general meeting), as being entitled to do so, voted in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which the quorum is present.
- 48. (a) On a poll votes may be given either personally or by proxy.
  - (b) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.
  - (c) For so long as the shares of the Company are listed on the Designated Stock Exchange, where a Member is a clearing house, depositary, custodian and/or trustee (or its/their nominee(s) and, in each case, being a corporation, "Third Party Holder"), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of these Articles shall be entitled to exercise the same rights and powers on behalf of the Third Party Holder as if such person was the registered holder of the shares of the Company held by the Third Party Holder in respect of the number and class of shares specified in the relevant authorisation."
  - (d) To the extent permissible under the laws of the Cayman Islands and these Articles, the qualifications, scopes, methods, procedures, and other details for the Member to exercise the voting rights under the preceding paragraph (c) shall be in compliance with the Applicable Law.
- 49. Any corporation which is a Member of record of the Company may in accordance with its Articles or in the absence of such provision by resolution of its Directors or other governing body authorizes such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorized shall be entitled to exercise the same powers

on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member of record of the Company.

## **PROXIES**

- 50. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote on behalf of him at a general meeting of the Company; provide that a Member, irrespective of how many shares he holds, may only appoint one proxy to represent him and vote on his behalf. A proxy need not be a Member of the Company.
- 51. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation under the hand of an officer or attorney duly authorised in that behalf, which instrument of proxy shall be in a form determined by the Board and provided to the Members in accordance with Article 52, and shall include such information considered necessary by the Company, including instruction to Member for completion of the proxy, proxy voting instruction and basic information of the Member appointing the proxy and of the proxy appointed.
- 52. The Board may send out the form of instrument for appointing a proxy either by post or electronic transmission in or by way of note to or in any document accompanying the notice convening the meeting on the same delivery date with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument appointing a proxy shall be delivered to the Registered Office of the Company or at such other place as is specified in the notice for that purpose not less than five (5) days before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default, save with respect to the deemed appointment of the chairman as proxy under Article 55, the instrument of proxy shall not be treated as valid PROVIDED that the chairman of the meeting may in his discretion accept an instrument of proxy sent by telex or telefax upon receipt of telex or telefax confirmation that the signed original thereof has been sent.
- 53. Where multiple instruments of proxy are received by the Company from the same Member, the first written duly executed and valid instrument of proxy received by the Company shall prevail, unless an explicit written statement revoking the previous instrument(s) appointing a proxy is made in the subsequent duly executed and valid instrument of proxy received by the Company. The Board shall have the final discretion to determine which instrument of proxy shall be accepted where there is any dispute. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy is given, or the notice of casting vote by way of written notice or electronic commissions pursuant to Article 55; provided that the Company has not been notified in writing of such death, insanity or revocation as aforesaid at its Registered Office or at an address specified in the proxy form, or by written notice from the Member revoking the proxy and expressing his intent to attend the meeting in person or to vote by way of written notice or electronic commissions pursuant to Article 55 at least two (2) days before the date of the general meeting, or adjourned meeting, at which the proxy proposes to vote.
- 54. Unless otherwise provided in these Articles, the instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates
- 55. To the extent permitted by Applicable Law and notwithstanding any provisions provided in these Articles, the Board may resolve to allow Members not attending and voting at a general meeting in person, by proxy or by corporate representatives (where a Member is a corporation), to exercise their voting power and cast their votes by a written instrument approved by the Board or by way of electronic transmission (as provided under the ROC Electronic Signatures Act) two (2) days prior to commencement of the general meeting; if the regulations in relation to the mandatory electronic voting

issued by the Commission applies to the Company, the Company must adopt electronic voting as one of the voting methods in the general meeting, provided that the relevant methods and procedures are specified in the notice of that meeting and complied with by such Member(s). However, if a general meeting is convened outside the territory of the ROC, to the extent permitted by Applicable Law, the Company must allow the Members to exercise their voting rights and cast their votes by way of a written instrument approved by the Board or by way of electronic transmission in the manner referred to in the foregoing. For the avoidance of doubt, those Members who have voted in the manner mentioned in the foregoing shall, for purposes of these Articles and the Statute, be deemed to have appointed the chairman of the general meeting as their proxy to vote their shares at the general meeting in the manner directed by the written instrument or electronic document. The chairman as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in the written or electronic document and/or any amendment to resolution(s) proposed at the general meeting, and the Members shall be deemed to have waived their voting rights with respect to any extemporary matters or amendment to resolution(s) proposed at the general meeting.

- 56. (a) Where a Member has exercised the voting power and has cast its votes by written instrument or by way of electronics transmission intends to attend the meeting physically in person, such Member shall send a separate written declaration of intention to rescind and revoke the votes casted by way of written instrument or electronic transmission to the Company, whichever was previously exercised by the Member, two (2) days prior to the date of the general meeting failing which, the Member shall be deemed to have waived his right to attend and vote at the relevant general meeting in person, the deemed appointment by the Member of the chairman as proxy shall remain valid and the Company shall not count any votes cast by such Member physically at the relevant general meeting.
  - (b) Where multiple written instrument or electronic transmission for the same meeting are received by the Company from the same Member, the first written duly executed and valid written instrument or electronic transmission received by the Company shall prevail, unless an explicit written statement revoking the previous instrument(s) or transmission is made in the subsequent duly executed and valid instrument or transmission received by the Company. The Board shall have the final discretion to determine which written instrument or electronic transmission shall be accepted where there is any dispute.
- 57. A Member who is deemed to have appointed the chairman as proxy pursuant to Article 55 for purposes of casting his vote by written instrument approved by the Board or by way of electronic transmission shall have the right to appoint another person as its proxy to attend the meeting, in which case the express appointment of another proxy shall be deemed to have revoked the deemed appointment of the chairman as proxy under Article 55 and the Company shall only count the vote(s) casted by such expressly appointed proxy at the meeting.
- 58. Except for an ROC trust enterprise or stock agency approved by the ROC competent authority, save with respect to the chairman being deemed appointed as proxy under Article 55, when a person acts as the proxy for two or more Members, the total number of voting shares that the proxy may vote shall not exceed three percent (3%) of the total number of voting shares of the Company; otherwise, such number of voting shares in excess of the aforesaid threshold shall not be counted towards the number of votes cast for or against the relevant resolution or the number of voting shares entitled to vote on such resolution but such shares shall be included in the quorum. Upon such exclusion, the number of voting shares being excluded and attributed to each Member represented by the same proxy shall be determined on a pro-rata basis based on the total number of voting shares being excluded and for which the number of voting shares that such Members have appointed the proxy to vote.
- 59. To the extent permissible under Applicable Law and subject to compliance with these Articles and the Statute, when a proxy is used by a member in a general meeting, the relevant provisions under the "ROC Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" shall also apply.

## ANNULMENT OF RESOLUTIONS

60. To the extent permitted by Applicable Law, where the procedures for convening a general meeting or the proceedings of the general meeting contravene any applicable laws, regulations, ordinances, Applicable Law or these Articles, any Member may submit a petition within thirty (30) days from the date of such general meeting to a competent court having proper jurisdiction, including, the ROC Taipei District Court, if applicable, for annulment of such resolution.

#### APPRAISAL RIGHT OF DISSENTING MEMBERS

- 61. Subject to compliance with Applicable Law, a Member who has expressed his dissent, in writing or verbally with a record, before or during a general meeting, with respect to any resolution proposed at a general meeting in relation to the following matter(s), may abstain from exercising his voting rights in respect of such resolution(s) and request the Company to acquire or purchase his share(s) at the then prevailing fair price:
  - (a) splitting part of the business or assets of the Company by way of disposal or otherwise;
  - (b) a merger of the Company;
  - (c) the Company proposes to enter into, amend, or terminate any Lease Contract, Management Contract or Joint Operation Contract;
  - (d) transfer whole or any substantial part of the Company's business or assets; and
  - (e) acquisition of whole of the business or assets of a third-party, which materially affects the operation of the Company.
- 62. Subject to the above, the Member shall give written notice to request the Company to acquire or purchase his shares no later than twenty (20) days after the passing of a conditional or unconditional resolution approving any of the above matter(s) at the relevant general meeting, and shall state in such request the class and number of shares that such Member requests the Company to repurchase.
- 63. If agreement on the price of the shares can be reached between the Member and the Company, the Company shall, subject to compliance with these Articles and the Statute, repurchase and pay for the shares within ninety (90) days from the date on which the conditional or unconditional resolution was passed. If no agreement is reached within sixty (60) days of the date on which the resolution was passed, the Member may, within thirty (30) days from the date on which the sixty day (60) period expires, apply to a competent court for a ruling on the price. Subject to the ruling of the competent court, the Company shall pay judgment interest on the price as determined by the court from the date of expiration of the period referred to above.
- 64. The payment of repurchase price to the Members shall be made at the same time against the delivery of the relevant share certificate(s) and an instrument(s) of transfer (where the shares are in certificated form) in respect of the shares subject to such instrument(s) of transfer (where the shares are in certificated form) for the repurchase being duly executed by such Member to the Company, and the date of transfer of such shares shall be the date on which payment is made by the Company to the Member and the Register of Members of the Company shall be updated accordingly.
- 65. The request of a Member pursuant to Article 62 above shall become ineffective if the Company announces before completion of the purchase under Article 63 that the Company will not proceed with the matters that such Member dissented to under Article 61 or where the Company is prohibited under Applicable Law to repurchase the relevant shares. Where a Member fails to make a request within the period prescribed in Articles 62 and 63 above, such Member is deemed to have duly waived his rights under Article 61.

66.

- (a) The Board shall consist of no less than five (5) directors. At least three (3) of the directors shall be Independent Directors pursuant to Article 70, and the total number of Independent Directors shall not be less than one-fifth (1/5) of the total number of Directors. When a Member is a corporate entity, it may be elected as a corporate Director provided that it shall designate at least one natural person as its authorized representative to act for and on its behalf as a Director. The authorized representative of a corporate Member may also be elected as a Director in its own individual capacity. If a corporate Member designates more than one representatives, all of the representatives are eligible to be elected as Directors in their own individual capacity.
- (b) The term of office for a Director shall not exceed three (3) years and the Director whose term has expired may be eligible for re-election. If the term of office of all Directors expires at the same time and no general meeting was held before such expiry for their re-election, their term of office shall be extended to the time when the new Directors elected or re-elected in the next general meeting assume their office.
- (c) A re-election of all Directors prior to the expiry of their term of office of the existing Directors shall be effected by an Ordinary Resolution. If no resolution is passed to approve that the existing Directors who are not re-elected at the general meeting shall remain in office until expiry of their original term of office or such other date as approved by the Members at the general meeting, such non-re-elected Directors shall vacate their office with effect from closing of such general meeting.
- (d) In addition to such applicable requirements and to the extent permissible under the Statute, each Director shall comply with the applicable requirements under the Applicable Law relating to qualification and obligations of directors of a company whose shares are listed on the Designated Stock Market.
- 67. The Board shall be elected or appointed by Members upon a poll vote by way of cumulative voting (the manner of voting described in this Article to be referred to as "Cumulative Voting") in the following manner:
  - (i) on an election of directors, the numbers of votes attached to each voting share held by a Member shall be cumulative and be voted for the directors nominated for appointment at the general meeting provided that such votes shall only cumulate in respect of such number of directors nominated within the same category (namely, independent or non-independent) of directors to be appointed;
  - (ii) the Member(s) may vote all or part of their cumulated votes in respect of one or more directors within the same category of directors to be elected;
  - (iii) such number of directors receiving the highest number of votes in the same category of directors to be elected shall be appointed; and
  - (iv) where two or more directors nominated for appointment receive the same number of votes which exceeds the number of new directors intended to be appointed, there shall be a draw by such directors receiving the same number of votes to determine who shall be appointed; the chairman shall draw for a director nominated for appointment who is not present at the general meeting.
- 68. A spousal relationship and/or a Family Relationship within the Second Degree of Kinship shall not exist among more than half (1/2) of the members of the Board (the "Threshold"), unless with the prior approval by the Designated Stock Market. Where the appointment of any person having a spousal relationship and/or a Family Relationship within the Second Degree of Kinship with any existing member of the Board or with any other person(s) also nominated for appointment as a director (the "Related Person") is proposed at a general meeting, only the following persons may be appointed as a Director:
  - (i) firstly, such person(s) approved by the Members by way of Cumulative Voting and who is not a Related Person; and
  - (ii) secondly, such number of Related Person(s) elected by the Members by way of Cumulative Voting and who receive the highest number of votes from the Members for its appointment among all the Related Persons and the appointment of whom would not result in contravention

of the Threshold. If the existing composition of the Board fails to satisfy the Threshold, such Director in office being a Related Person shall immediately cease to be a Director of the Company.

68B. For as long as the Company's shares are listed on the Designated Stock Market, subject to the Applicable Law, any Director or supervisor (if any), who, during his or her term of office and in one or more transactions, deals with Shares so held by him/her and results in such Director or supervisor (as the case may be) ceases to hold more than fifty percent (50%) of the total Shares then held by such Director or supervisor (as the case may be) at the time of his or her appointment or election as Director or supervisor (as the case may be) at a general meeting (the "Approval Time"), such Director or supervisor (as the case may be) shall immediately resign or otherwise be removed or vacated from his/her office.

For as long as the Company's shares are listed on the Designated Stock Market, subject to the Applicable Law, if any person deals with Shares so held by him/her in or more transactions and results in such person ceases to hold more than fifty percent (50%) of the Shares held by him or her at the Approval Time either (i) during the period from the Approval Time to the commencement date of his or her office as Director or supervisor (if any), or (ii) during the period when the Register is closed for transfer of Shares prior to the general meeting at which the appointment or election of such person as a Director or supervisor (if any) will be proposed, his or her appointment or election as Director or supervisor (if any) shall not take effect.

- 69. When the number of Directors falls below five (5) due to the dismissal of a Director or any Director ceases to be a Director of the Company for any reason, including but not limited to vacancy in the office of such Director(s) under Article 105, the Company shall hold an election to elect new director(s) at the next following general meeting by way of Cumulative Voting. When the number of Directors falls short by one-third (1/3) of the number prescribed by these Articles, an extraordinary general meeting shall be convened within sixty (60) days of the occurrence of the fact to hold a by-election of directors.
- 70. The Company shall have at least one Independent Director shall be domiciled in the ROC, and shall adopt the candidate nomination mechanism as provided by Article 192-1 of the ROC Company Law for the election of the Independent Directors..
- 71. When the number of Independent Directors falls below three (3) due to the dismissal of an Independent Director or the Independent Director ceases to be a Director for any reason, the vacancy of such Independent Director shall be filled and elected at the next following general meeting. When all of the Independent Directors have been dismissed or cease to be Directors, an extraordinary general meeting shall be convened within sixty (60) days of the occurrence of that fact to elect for independent directors.
- 72. The Independent Directors shall possess the requisite professional knowledge and shall maintain independence within the scope of their directorial duties. The Independent Directors may not have any direct or indirect interest in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions held, and assessment of independence shall be subject to the relevant rules of the Applicable Law.
- 73. The Directors may by resolution award special remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.
- 74. A Director may hold any other office or place of profit under the Company in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
- 75. A Director may act by himself or his firm in professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

- 76. A shareholding qualification for Directors may be fixed by the Company in general meeting but unless and until so fixed no shareholding qualification shall be required.
- 77. A Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.
- No person shall be disqualified from the office of Director or prevented by such office from contracting 78. with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested be or be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established; provided, however, to the extent required by Applicable Laws, a Director may not vote in respect to any matter, including any contract or proposed contract or arrangement or contemplated transaction of the Company, whether on behalf of himself or as a proxy for another Director, in which such Director bears a personal interest which may conflict with and impair the interest of the Company, but the director may express his or her opinion and respond to inquiries. After the interested director has responded to inquiries raised and/or expressed his or her opinions or views and as soon as the board of directors proceed to discuss their views and vote on the relevant matter, the interested director shall excuse him or herself from such discussion and voting, but the Director shall be counted in the quorum for purposes of convening such Paragraph 2, Article 206 of the ROC Company Act, under which the provisions under Paragraph 2, Article 180 of the same law may apply *mutatis mutandis* shall apply to directors who may not exercise their voting rights in the process of resolving a proposal at the Company's board meeting to the maximum extent that does not contravene the laws of the Cayman Islands. 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 to the Board and the Audit Committee.
- 79. The ordinary remuneration of the Directors shall from time to time be determined by the Board, taking into consideration market standards as well as the standards of other companies listed on the Designated Stock Market.

## POWERS AND DUTIES OF DIRECTORS

- 80. The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not, from time to time by the Statute, or by these Articles, or such regulations, being not inconsistent with the aforesaid, as may be prescribed by the Company in general meeting required to be exercised by the Company in general meeting PROVIDED HOWEVER that no regulations made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.
- 81. The Directors 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 Directors, 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 Directors under these Articles) and for such period and subject to such conditions as they 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 Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
- 82. 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 Directors shall from time to time by resolution determine.

- 83. The Directors shall cause minutes to be made in books provided for the purpose:
  - (a) of all appointments of officers made by the Directors;
  - (b) of the names of the Directors (including those represented thereat by proxy) present at each meeting of the Directors and of any committee of the Directors;
  - (c) of all resolutions and proceedings at all meetings of the Company and of the Directors and of committees of Directors.
- 84. Subject to the requirements of these Articles, the Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.
- 85. Subject to these Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking and property or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- 86. Subject to the Applicable Law, the Board shall, within fifteen (15) calendar days after receipt of a copy of the notice by the Company or the Company's Litigious or Non-Litigious Agent of a public tender offer and relevant information to purchase shares of the Company, resolve to recommend the Members to either accept or object the tender offer purchase, and shall disclose the following by way of public announcement in any manner permitted under Applicable Law:
  - (1) the type and number of shares currently held by the Directors, any Members, directly or indirectly on behalf of another, with more than ten percent (10%) of the Company's outstanding shares;
  - (2) the recommendation made by the Board based on its investigation into the identify and financial position of the tender offeror, fairness of the tender offer conditions, and validity of funding sources to the Members on such tender offer purchase, where in the opinions and reasons of every consenting and objecting Director(s) shall be indicated;
  - (3) whether there were major changes to the Company's financial conditions after the delivery of its most recent financial statements, and the contents of such changes; and
  - (4) the type, number and amount of shares of the offeror or its affiliates held, directly or indirectly on behalf of another, by the Directors or any Member holding over ten percent (10%) of the Company's outstanding shares.
- 87. In addition to the above, the Board shall keep copies of these Articles, the minutes of prior general meetings, financial statements, Register of Members as well as summary of the bonds and notes issued by the Company at the Company's agent for stock affairs located within the ROC for inspection or duplication by the Members from time to time by showing evidence of such Members' interest involved in the Company and specifying the scope of inspection.
- 88 (a) A Director
  - (a) A Director engaging in any activity, or entering into any contract or transaction, which may be in competition with the business of the Company or which falls within the business scope of the Company, shall disclose in a general meeting the nature, extent and major terms of such activity, contract or transaction, and shall proceed with such activity, contract or transaction only upon approval of the Members at a general meeting by a Special Resolution.
  - (b) Without prejudice and subject to the general directors' duties that a Director owe to the Company and its shareholders under common law principals and the laws of the Cayman Islands, a Director shall perform his/her fiduciary duties of loyalty and care, and shall indemnify the Company, to the maximum extent legally permissible, from any loss incurred or suffered by the Company arising from breach of his/her fiduciary duties. If Director has made any earnings for the benefit of himself/herself or any third party due as a result of breach of his/her fiduciary duties, the Company shall, if so resolved by the Members by way of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover such

- earnings from such relevant Director..
- (c) If a Director has, in the course of conducting the Company's business, violated any applicable laws or regulations which causes the Company to become liable for any compensation or damages to any third person, such Director shall become jointly and severally liable for such compensation or damages with the Company and to the extent that for any reason, such Director is not made jointly and severally liable with the Company, such Director shall indemnify the Company for any loss incurred or suffered by the Company for any compensation and/or damages that the Company became liable.

#### MANAGEMENT

- 89. (a) The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following paragraphs shall be without prejudice to the general powers conferred by this paragraph.
  - (b) Subject to these Articles, the Directors from time to time and at any time may establish any committees or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or any managers or agents and may fix their remuneration.
  - (c) The Directors from time to time and at any time may delegate to any such committee, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such committee, manager or agent, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
  - (d) Any such delegates as aforesaid may be authorised by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time beings vested in them.
  - (e) A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present except as otherwise required by these Articles.
  - (f) The Company shall establish a Compensation Committee to assist the Board in discharging its responsibilities related to the compensation and benefit policies, plans and programs of the Company, and the evaluation and remunerations, stock options or other substantive awards given to the Company's Directors and officers. For as long as the shares of the Company are listed on the Designated Stock Exchange, the professional qualification, scope of authority and other requirements of the members of the Compensation Committee shall be subject to the Applicable Law.
  - (g) Members of any committee appointed by the Board may participate in a meeting of such committee by means of video conference and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

## MANAGING DIRECTORS

- 90. The Directors may, from time to time, appoint one or more of their body to the office of Managing Director for such term and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partly in another) as they may think fit but his appointment shall be subject to determination *ipso facto* if he ceases from any cause to be a Director.
- 91. The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

## PROCEEDINGS OF DIRECTORS

- 92. (a) Except as otherwise provided by these Articles, the Directors shall meet together for the dispatch of business, convening, adjourning and otherwise regulating their meetings as they think fit.
  - (b) The quorum necessary for the transaction of the business of the Directors at a meeting of the Board shall be a majority of the number of members of the Board. For the purpose of this Article, a proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present
- 93. (a) The Company's board meetings shall be convened at least once every quarter. Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors; provided, however, that the first meeting of the Board of Directors following an election of Directors shall be convened by the Director who received a ballot representing the highest number of votes at the election of Directors and shall act as chairperson of the meeting. In case there are two directors having the power to convene such meeting, In case there is more than one director having the power to convene such meeting, such directors shall agree among themselves who shall act as the chairperson of the meeting.
  - (b) In case the Chairman of the Board is unable to exercise his or her duties during his or her absence or for cause, the vice Chairman shall act as in his stead. In the absence of a vice Chairman or if the vice Chairman is unable to exercise his or her duties during his or her absence or for cause, the Chairman shall appoint a managing director to act in his stead. If the Company has no managing directors, a director shall be appointed in his stead. In the absence of such appointment, the chairperson of the meeting shall be elected from among the managing directors or directors by themselves.
- 94. The Chairman shall, at any time summon a meeting of the Board by giving at least seven (7) days notice in writing to every Director setting forth the general nature of the business to be considered, and such notice may be sent in electronic form upon the Director's consent. Notwithstanding the aforesaid, in the event of a matter considered to be urgent by the Chairman of the Board of Directors, a meeting of the Board may be convened on short notice if the quorum required under Article 92(b) is present.
- 95. A Director may appoint another Director to act as his proxy to attend and vote on his behalf at meetings of the Directors or any committee of Directors. When a director appoints another director as proxy to attend a board meeting, he or she shall, in each time, issue a written proxy. The proxy form shall state therein the scope of authority of such proxy with reference to the subject matters to discussed as listed in the board meeting notice. Such appointment must be made in writing for each meeting under the hand of the appointer, and may at any time be revoked in like manner, and may be general (i.e. a blanket authority for the particular meeting) or for specified resolutions, and may authorise and direct the appointee to be chairman if the appointer would, if present, be entitled to preside. appointment of proxy may contain directions to the proxy to vote in accordance with instructions given by that Director or, in the absence of such instructions, the proxy may act in his discretion. Notice of every such appointment or revocation must be presented to the meeting of Directors at which the proxy is to be used or first used prior to the commencement of such meeting. A proxy may be given by telex, telefax or in electronic mail. A proxy shall ipso facto cease to be a proxy for a Director if his appointer ceases for any reason to be a Director; however, such proxy or any other Director may be re-appointed by the Directors to serve as a proxy. A director may act as a proxy for only one other director.
- 96. Directors may participate in any meeting of the Board by video conference and participation in such a meeting shall constitute presence in person at such meeting, but shall fax in attendance sheet in lieu of signing it in person.
- 97. A meeting shall be called to order by the chairperson of the board meeting when the scheduled meeting time has arrived and the quorum is present. If the quorum is not present at the schedule commencement time of the meeting, the chairperson of the meeting may announce to postpone the meeting with the postponement not more than twice. If a quorum is not constituted after the second postponement, the chairperson shall convene a new meeting.

- 98. All acts done by any meeting of the Directors or of a committee of Directors (including any person acting as a proxy) shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or proxy 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 or proxy Director as the case may be.
- 99. The following matters shall be brought to the Company's board meeting for discussion and if thought fit, approval. Except in an unexpected emergency or for good reason, the matters described below shall be set out in the notice of meeting, and may not be raised by an extempore motion.
  - (a) The Company's business plan;
  - (b) Annual financial report and semi-annual financial report;
  - (c) Internal control system established or amended in accordance with the provisions under Article 14-1 of the ROC Securities and Exchange Act (hereinafter as the "ROC SEA");
  - (d) Procedure for handling important financial and business activities such as the acquisi-tion or disposition of assets, derivative products transactions, lending of capital, en-dorsement for third party, provision of guarantee, established or amended in accordance with the provisions under Article 36-1 of the ROC SEA;
  - (e) Offering, issue or private placement of securities of the nature of equity;
  - (f) Appointment and/or dismissal of a financial, accounting or internal audit officers; and
  - (g) Matters to be resolved at general meeting or by the board meeting under Article 14-3 of the ROC SEA, other laws and regulations or the Articles of Association, or other important matters required by the competent authority.

For matters to be resolved at general meeting or by the board meeting under Article 14-3 of the ROC SEA, independent directors shall attend a meeting in person or appoint another independent director to attend the meeting on his or her behalf and may not appoint a proxy who is not an independent director as his or her proxy. Any objection or reservation that an independent director may have shall be specified in the minutes of proceedings of the board meeting. If an independent director wishing to express his or her objection or reservation is unable to attend the board meeting in person, he or she shall provide a written statement providing his view and opinions on the relevant matters for consideration at the board meeting and his statement shall be included in the minutes of the board meeting, unless his/her absence is for good cause.

100. The Company's board meeting shall be conducted in accordance with the procedure of the meeting as scheduled and may be subject to change upon consent of a majority of the directors present at the meeting.

The chairperson of the meeting may not declare adjournment without the consent of a majority of the directors present at the meeting.

During the board meeting, if the directors present in the meeting are fewer than the required quorum], upon motion filed by the director present in the meeting, the chairperson shall declare suspension of the meeting and the provisions under Article 97 may apply *mutatis mutandis*.

101. When the directors are deliberating in respect of a resolution to be adopted in a meeting of the Board, the resolution shall be deemed approved and voted on by the Board if all directors present at the meeting consented to the passing of such resolution without raising any objection when the chairperson put forward the relevant resolutions for approval. If, upon the chairperson propose the relevant resolution for approval, a director states his dissent, the resolution shall be voted on in the manner set out below. The said "all directors present at the meeting" do not include directors who may not exercise their voting rights in accordance with the Article 78.

Formal votes shall be cast for the proposal in the agenda of the Company's board meeting.

Formal votes may be cast in one of the following manners as determined by the chairperson; provided, however, that when a person present at the meeting files an objection, the decision shall be made according to majority votes:

- (a) Vote by show of hands or by voting system;
- (b) Roll-call vote;
- (c) Vote by ballots; or

- (d) Any other voting method as determined by the Board.
- 102. Unless a higher approval threshold is required under the ROC SEA and the ROC Company Act, a proposal to be resolved at the Company's board meeting shall be approved by consent of a majority of the directors present at the meeting attended by a majority of all directors.

In case of an amendment or substitute to a proposal and to the extent that is permissible under applicable laws, the chairperson shall decide on the order of vote by combining the amendment or substitute with the same proposal. However, if one of the proposals has been approved, the others shall be deemed overruled and no further vote is required.

If certain persons shall be designated to scrutinize balloting and count ballots for voting on proposals, these persons shall be appointed by the chairperson. The persons responsible for scrutinizing balloting shall be directors.

Results of the votes shall be announced on the spot and recorded.

- 103. Minutes of a meeting of the Board shall be signed or sealed by the chairperson and secretary of the meeting and copies thereof shall be distributed to all directors within twenty (20) days of the meeting. The minutes shall be deemed as important files of the Company and be properly kept during existence of the Company. Minutes may be produced and issued to the Directors in electronic form.
- 104. To the maximum extent permitted under the laws of the Cayman Islands and the Statute, the Members may, by Special Resolution, adopt or amend any rules and procedures, including the Procedural Rules for the Board of Directors, governing the meeting of the Board; In the event of any inconsistency between the main content of these Articles and the Procedural Rules for the Board of Directors, the Articles shall prevail to the extent required by any Applicable Laws.

### VACATION OF OFFICE OF DIRECTOR

- 105. The office of a Director shall be vacated:
  - (1) is removed from office pursuant to these Articles (including ceasing to be a director automatically for being in breach of Article 107);
  - (2) dies or becomes bankrupt, or makes any arrangement or composition with his creditors generally;
  - (3) is or becomes of unsound mind or an order for his detention is made under applicable laws of the Cayman Islands relating to mental health or any analogous law of a jurisdiction outside the Cayman Islands, or dies;
  - (4) resigns his office by notice in writing to the Company; or
  - (5) is the subject of a court order for his removal in accordance with Article 108.

## REMOVAL OF DIRECTORS

- 106. Notwithstanding any provision in these Articles to the contrary or any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement), a Director may be removed by way of a Special Resolution of the Members at any time before the expiration of his period of office.
- 107. Any person who falls within any of the following categories shall not be appointed a Director of the Company. If for any reason he becomes a Director, he shall cease to be a Director of the Company forthwith upon the Company having actual notice that a breach of this Article 107 has been made, without any further action required on the part of the Company or such Director in question:
  - (1) any person having committed an offense as specified in the ROC Statute of Prevention of Organization Crimes and subsequently adjudicated guilty by a final judgment, and the time elapsed after he has served the full term of the sentence has not exceeded five (5) years; or
  - any person having committed an offense involving fraud, breach of trust or misappropriation and subsequently punished with imprisonment for a term of more than one (1) year, and the

- time elapsed after he has served the full term of such sentence has not exceeded two (2) years; or
- (3) any person having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence has not exceeded two (2) years; or
- (4) any person having been adjudicated bankrupt, and has not been reinstated to his rights and privileges; or
- (5) any person having been dishonoured for unlawful use of credit instruments, and the term of such sanction has not yet expired; or
- (6) any person having no or only limited capacity.
- 108. In case a Director has, in the course of performing his duties, committed any act resulting in material damage to the Company or in material violation of applicable laws and/or regulations and/or these Articles, but not removed by the Members in the general meeting, Member(s) holding not less than three percent (3%) of the total number of outstanding shares of the Company may, within thirty (30) days after such meeting, institute a lawsuit in the court for a judgment to remove such Director. Such lawsuit may be submitted to a competent court having jurisdiction, including the Taipei District Court as the court of first instance.

### **SEAL**

- 109. (a) The Company may, if the Directors so determine, have a Seal which shall, subject to paragraph (c) hereof, only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf and every instrument to which the Seal has been affixed shall be signed by one person who shall be either a Director or the Secretary or Secretary-Treasurer or some person appointed by the Directors for the purpose.
  - (b) The company may have 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 Directors so determine, with the addition on its face of the name of every place where it is to be used.
  - (c) A Director, Secretary or other officer or representative or attorney may without further authority of the Directors affix the Seal of the Company over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

## **OFFICERS**

- 110.
- (a) The Company may have an officer appointed by the Directors who may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time prescribe. An officer shall exercise his/her duties in accordance with any resolution adopted by the general meeting of the Members or the Board, and any instructions from the Chairman from time to time.
- (b) An officer shall, in the course of conducting the Company's business, bear the same indemnification liabilities as a Director which are prescribed under these Articles and the Applicable Law, including, but not limited to the liabilities provided under sub-paragraphs (b) and (c) of Article 88, if such officer breaches his/her duties and the Company became liable for any third party compensation or damages.

## DIVIDENDS, DISTRIBUTIONS, RESERVE AND POWER TO SET ASIDE PROFIT

- 111.
- (a) Unless otherwise provided in the Applicable Law, where the Company makes profits before tax for

the last annual financial year, the Company shall allocate (1) no less than one percent (1%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "Employees' Remunerations"); and (2) no more than three percent (3%) of such annual profits before tax for the purpose of Directors' remunerations (the "Directors' Remunerations"). Notwithstanding the foregoing paragraph, if the Company has accumulated losses carried forward from the previous years as of the last annual financial year, the Company shall set aside from the profits before tax for the last annual financial year an amount equivalent to the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations.

- (b) The Employees' Remunerations may be distributed in the form of cash and/or bonus shares; the Directors' Remunerations may be distributed in the form of cash only.
- (c) Subject to Cayman Islands law and the Applicable Law, the Employees' Remunerations and the Directors' Remunerations may be distributed upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors, and shall be reported to the Shareholders at the general meeting after such Board resolutions are passed.
- (d) Unless otherwise provided in the Applicable Law and subject to Article 47, the net profits (after allocations of profits before tax in accordance with Article 111(a)) of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval by way of on ordinary resolution:

i.to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;

- ii.to set off accumulated losses of previous years (if any);
- iii.to set aside ten percent (10%) as legal reserve pursuant to the Applicable Law for so long as the accumulated amount of such legal reserve does not exceed the total paid-up share capital of the Company;
- iv.to set aside an amount as Special Reserve pursuant to the Applicable Law and requirements of the Commission; and
- v. with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval by an ordinary resolution pursuant to the Applicable Law.
- (e) The Company's dividends policy is that the Company shall refer to current and future industrial prosperity and consider fund demand and financial structure of the Company; in addition to discretionary retained earnings, the Company may allocate dividends to the Shareholders in the form of cash dividends and/or bonus shares; provided that Cash dividends shall comprise a minimum of ten percent (10%) of the allocated dividends.
- 112. Where the Directors determine that a dividend shall be paid wholly or partly by the distribution of specific assets, the Directors may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the Directors may fix the value of such specific assets and vest any such specific assets in trustees on such terms as the Directors think fit.
- 113. Dividends may be declared and paid out of profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed, or not in the same amount. Subject to the requirement of these Articles, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Statute.
- 114. Subject to the requirement of these Articles, the Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company.
- 115. (a) No unpaid dividend or distribution shall bear interest against the Company.
  - (b) The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium

paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Board may apply the share premium account in any manner permitted by the Statute. The Company shall at all times comply with the provisions of the Statute in relation to the share premium account.

### **CAPITALISATION**

- 116. (a) The Company may, with the approval by way of Special Resolution of the Members, capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.
  - (b) The Company may, with the approval by way of Special Resolution of the Members, resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full, partly paid, or nil paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.
  - (c) Notwithstanding Articles 116(a) and 116(b) above, the Board may, without the approval of the Members, capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares of the Company to be allotted as fully paid bonus shares for the purpose of the Employees' Remunerations (as defined in Article 111(a)).

#### **BOOKS OF ACCOUNT**

- 117. The Directors shall cause proper books of account to be kept with respect to:
  - (a) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;
  - (b) all sales and purchases of goods by the Company;
  - (c) the assets and liabilities of the Company.

Proper books shall not be deemed to be kept 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.

- 118. At the close of each fiscal year, the Board shall prepare the business report, financial statements and the surplus earning distribution or loss offsetting proposals for adoption by the annual general meeting and shall submit such report, statements and proposals for verification by the Audit Committee prior to the date of the annual general meeting. The Board shall, upon adoption by the annual general meeting, distribute to each Member copies of adopted financial statements and the resolutions on the surplus earning distribution and/or loss offsetting in accordance with these Articles and Applicable Laws, and for as long as the Company's shares are listed on the Designated Stock Market, such distribution may be effected by means of a public notice in accordance with the Applicable Law.
- 119. A printed copy of each of the Directors' report(s) or statement(s) to be submitted for adoption by the general meeting shall be kept at the Company's agent for stock affairs located within the ROC for inspection by the Members from time to time at least ten (10) days before the date of the annual general meeting, and laid before the Company at the annual general meeting.

## **AUDIT COMMITTEE**

120. The Company shall establish an 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 as the convener to convene meetings of the Audit Committee from time to time and at least one of the Audit Committee members shall have accounting or financial expertise. A valid resolution of the Audit Committee requires approval of one-half (1/2) or more of all its members.

- 121. Notwithstanding anything provided to the contrary contained herein, the following matters require approval of the Audit Committee and final approval of the Board:
  - (a) adoption of or amendment to an internal control system;
  - (b) assessment of the effectiveness of the internal control system;
  - (c) 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;
  - (d) any matter relating to the personal interest of the Directors;
  - (e) the entering into of a transaction that has material effect on the assets of the Company or a material derivatives transaction;
  - (f) a material monetary loan, endorsement, or provision of guarantee;
  - (g) the offering, issuance, or private placement of any equity-linked securities;
  - (h) the hiring or dismissal of an attesting certified public accountant as the auditor of the Company, or the compensation given thereto;
  - (i) the appointment or discharge of a financial, accounting, or internal auditing officer;
  - (i) approval of annual and semi-annual financial reports; and
  - (k) any other material matter so required by Applicable Law or the competent authority.

With the exception of item (j), any other matter 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 the members of the Board , and the resolution of the Audit Committee shall be recorded in the minutes of the Directors meeting.

- 122. Subject to the Statute, the accounts of the Company shall be audited at least once in every year.
- 123. The Audit Committee shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto; and he may call on the Directors or officers of the Company for any information in their possession relating to the books or affairs of the Company.
- 124. The statement of income and expenditure and the balance sheet provided for by these Articles shall be examined by the Audit Committee and compared with the books, accounts and vouchers relating thereto; and the Audit Committee shall make a written report thereon stating whether such statement and balance sheet are drawn up so as to present fairly the financial position of the Company and the results of its operations for the period under review and, in case information shall have been called for from Directors or officers of the Company, whether the same has been furnished and has been satisfactory. The Audit Committee may appoint, on behalf of the Company, a practicing lawyer and/or a certified public accountant to conduct the examination. The financial statements of the Company shall be audited by an auditor appointed by the Board in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the Members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.
- 125. Where a Director is or may be in breach of his duties and subject to and if permitted by Applicable Law, one or more Member(s) of the Company holding three-percent (3%) or more of the total number of the outstanding voting shares of the Company continuously for a period of one (1) year or more may request a member of the Audit Committee, if permitted by Applicable Law, to institute a lawsuit against such Director(s) on behalf of the Company in a competent court having jurisdiction, including, if applicable, the Taipei District Court as the court of first instance. Where a member of the Audit Committee fails to institute a lawsuit against the Director(s) within thirty (30) days of receipt of such request from the

Member(s), such one or more Member(s) of the Company holding three-percent (3%) or more of the total number of the outstanding voting shares of the Company continuously for a period of one (1) year or more, subject to and if permitted by Applicable Law, may initiate a lawsuit against the Director(s) on behalf of the Company in a competent court having jurisdiction, including, if applicable the Taipei District Court as the court of first instance.

126. To the extent permitted by the Statute, in respect of matters relating to or concerning the Audit Committee not otherwise specified in these Articles, the Applicable Law shall apply.

## WINDING UP

- 127. 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 deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may with like sanction, vest the whole or any part or such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.
- 128. If the Company shall be wound up, and the assets available for distribution amongst the Members as such 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 if in a winding up 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 amongst the Members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

## **INDEMNITY**

129. 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 heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, chares, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act or omitted in or about the execution of their duty in their respective offices or trusts, except such (is any) as they shall incur or sustain by or through their own breach of duties (in which case they shall become liable to indemnify the Company in accordance with Articles 88(b), 88(c) and/or 110(b)), willful neglect or default respectively and no such Director, officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director, officer or trustee 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 of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as foresaid or which may happen in or about the execution of the office or trust unless the same shall happen through the breach of duties (in which case they shall become liable to indemnify the Company in accordance with Articles 88(b), 88(c) and/or 110(b)), willful neglect or default of such Director, Officer of trustee.

## FINANCIAL YEAR

130. Unless the directors otherwise prescribe, the financial year of the Company shall end on 31 st December in each year and, following the year of incorporation, shall begin on 1<sup>st</sup> January in each year.

## **AMENDMENTS OF ARTICLES**

131. Subject to the Statute, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

## TRANSFER BY OF CONTINUATION

132. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

## THE LAWS OF THE ROC

133. Notwithstanding any provision to the contrary herein, any Applicable Laws (other than the laws of the Cayman Islands) shall only apply to the maximum extent permissible under the laws of the Cayman Islands and the Statute.

For and on behalf of	
Offshore Incorporations (Cayman) Limited	
Corporation 2004	
Of Scotia Centre, 4 <sup>th</sup> Floor, P.O. Box 2804	
George Town, Grand Cayman Cayman Islands	
Cayman Islands	
(Sd.)Authorised Signatory	

DATED 23 AUG 2006

WITNESS to the above signature

(Sd.) **Toni Rombough**Of Scotia Centre, 4<sup>th</sup> Floor, P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

I, **JOY A. RANKINE Asst.** Registrar of Companies in and for the Cayman Islands. DO HEREBY CERTIFY that is a true copy of these Articles of Association of this Company duly incorporated on the

REGISTRAR OF COMPANIES(SD.)

# **Appendix II: Procedural Rules of General Meeting of Members**

# GRAND OCEAN RETAIL GROUP LIMITED PROCEDURAL RULES OF GENERAL MEETING OF MEMBERS

## CAYMAN ISLANDS GRAND OCEAN RETAIL GROUP HOLDING CO., LTD

## Procedural Rules of General Meeting of Members

Article 1 Under the jurisdiction of Cayman Islands, shareholders meeting of the company shall comply with the related rules of it except there is any other regulation claimed by R.O.C. laws or the local stipulations at where the operating locations of the company are.

Article 2 The company should detail the check-in time of shareholders' acceptance, check-in location, as well as other announcements.

Check-in time of shareholders' acceptance as above should commence 30 minutes earlier than the meeting; check-in location should be indicated identifiably and sufficient as well as appropriate personnel should be assigned to deal with this matter.

The company should prepare a check-in book for the present shareholders to sign in, or the present shareholders can provide a sign-in card to complete the check-in procedure.

The company should submit the meeting handbook, annual report, attendance badge, speech note, votes and other meeting materials to the shareholders who attend this general meeting. Also, if there is an election held for the board members, an additional vote should be attached.

When a juridical person is also the shareholder, representative attending the general meeting is not subject to only one person. When a juridical person is entrusted to attend the general meeting, only one person can be assigned for the attendance.

Article 3 Numbers of the shares for general meeting attendance are measured by the shares recorded on the check-in book or sign-in card plus the shares in written or electronic form when performing the voting rights. Shareholders should attend the general meeting by attendance badge, sign-in card or any other valid proof. The company is forbidden to arbitrarily request the provision of other certificates or documents further; the entrusted object by letter of authorization should bring his/her own ID certificate for verification.

Shareholders have to provide the letter of authorization issued by the company in the general meeting every time, explaining the authorization range to entrust the agent to attend the general meeting.

Each shareholder is able to provide one letter of authorization, and entrust one person only, which this letter should be delivered to the company 5 days prior to the general meeting. If there is any repeat of the letters, the one being received first will be accorded. Whereas any declaration made to invalidate the entrustee is not subject to this rule.

After the letter of authorization is delivered to the company, the shareholder who would like to attend the general meeting or to perform the voting rights via written or electronic form himself/herself, should inform the company about the entrustee revocation by written two days before the shareholders' meeting. If the revocation is overdue, then the entrustee will have the voting rights as authorized.

Chairman will announce the start of general meeting once the time has come. Whereas if the representative of the shareholder possessing over half of the issued shares total is still absent, the chairman will need to announce postponement for the meeting; however, the numbers of postponement are subject to two times, and the cumulative time in total of the postponement is restricted within one hour. If the representatives of the shareholder possessing over half of the issued shares total are still inadequate even after the postponement for two times, the chairman will announce to abort the general meeting.

Article 4 The company should record the sound or video of the entire process of general meeting and preserve it for at least one year.

Whereas if a shareholder has been filed with a lawsuit by Article 189 of Company Act of R.O.C., then the record should be preserved until it ends.

- Article 5
- 1. If the general meeting is coordinated by the board of directors, the agenda should be made by it. Also, the general meeting should be proceeded according to this agenda, and there should be no change unless being approved by resolution of the general meeting.
- 2. If the general meeting is coordinated by other rightful coordinator instead of the board of directors, the same rules described as above are also applicable.
- 3. Except for the one which has been voted by resolution of the general meeting, or the one treated by Article 14 of the Procedural Rules, the chairman is not able to announce the adjournment if the former two agendum (A.O.B. included) having been arranged are not finished yet, unless the resolution approved. Should the chairman violate the Procedural Rules and announce the adjournment, other directors of the board should promptly assist the present shareholders to elect a new chairman by at least half of the numbers of present shareholders' votes in order to continue the

general meeting in accordance with the legitimate procedure.

4. Chairman should offer the opportunity for plentiful explanation and discussion to the bill as well as those amendments or A.O.B. proposed by shareholders. The chairman should cease discussion and propose a vote if he/she considers that the bill can be put into a vote already.

## Article 6

- 1. Before a shareholder speaks, a speech note detailed with topic, shareholder account number (or attendance badge number) as well as account name must be filled in first, and the order of speeches will be determined by the chairman.
- 2. If a present shareholder only submits the speech note but does not speak, then it will be considered as an invalid speech. If the speech contents mismatch those on the speech note, then the former one will be accorded.
- 3. Numbers of speech for each shareholder due to a same bill are subject to two times, and five minutes for each, unless the chairman approves an exception. Yet the chairman should stop the speaking only if the shareholder speaker violates the related rules or exceeds the topic range.
- 4. When a present shareholder is speaking, other shareholder is not allowed to interrupt the speech unless the chairman permits the exception; any violations shall be immediately ceased by the chairman.
- 5. When the juridical person as a shareholder assigns two or more than two representatives attending the general meeting, only one of them is permitted to speak.
- 6. After the speech given by the shareholders, the chairman has to reply on his own, or designates the related personnel to respond.

### Article 7

Unless there are specific laws or regulations to stipulate for the convention, shareholders meeting is to be coordinated by the board of directors of the company.

The company shall make the electronic files including notice of shareholders meeting, letter (paper) of administration, recognition case, topic discussion, electing or dismiss of the board member as well as cause and descriptions for each bill, and upload to Market Observation Post System 30 days prior to the general meeting, or, 15 days prior to the temporary meeting. Also, the company shall make the electronic files including handbook of the shareholders meeting as well as supplementary meeting information, and upload to Market Observation Post System 20 days prior to the general meeting, or, 15 days prior to the temporary meeting.

Reasons of convention should be detailed in the notice and announcement; electronic form used for the information above is permissible if the offeree

approves.

## Article 8

- 1. Voting of the shareholders' meeting should be measured based on the shares held.
- 2. Numbers of shares of those shareholders who do not have the voting rights will not be calculated into the total numbers of issued shares for the resolution in the meeting.
- 3. A shareholder who has a self-interest relation with the topic in the meeting is considered to be suspiciously disadvantageous to the company, and is to be excluded of the voting; neither is his/her representative.
- 4. Numbers of shares which cannot be used for the voting as described above will not be counted as a part of total shares of the present shareholders.
- 5. Except for the stock agency approved by trust business or securities authority, if a trustee is designated by two or more than two shareholders, his/her voting rights as a representative are not allowed to exceed in 3% of the voting rights by total issued shares; any exceedance shall be denial.

## Article 9

Each share represents one voting right in volume for every shareholder, except for those who are subject to Article 179.2 as well as Article 197.1 of Company Act of R.O.C., listing as the ones who do not have the voting rights.

## Article 10

When voting for a bill, it is considered to be an approval if at least half of the number of the present shareholders' votes give assent, except for some special circumstances subject to the specific laws or regulations. Chairman or the designated personnel shall announce the sum of voting rights of the present shareholders case by case when voting,

afterward shareholders shall vote for the bill case by case also.

If there is any amendment or alternative for the same bill, the chairman shall combine it with the original one and determine the voting sequence. If one of them has been approved, then the other bills will be considered as denied and a revoting will not be carried out.

## Article 11

Inspector as well as teller in a bill voting are to be designated by the chairman; however, the inspector should be also a shareholder. Vote counting is subject to be implemented in the conference hall openly, and the voting results should be reported on the spot and be recorded.

## Article 12

If election of directors of the board is held in the shareholders' meeting, then the related election rules as well as articles of the company should be followed, and the election results should be announced on the spot.

Votes of the election as describes above should be sealed and signed by the inspector; and to preserve them well for at least one year. Whereas if a

shareholder has been filed with a lawsuit by Article 189 of Company Act of R.O.C., then the record should be preserved until it ends.

#### Article 13

- 1. A bill as well as resolution in the shareholders meeting should be recorded as a meeting minute, signed by the chairman, and sent to every shareholder in 20 days after the meeting. Compilation and issuance of the meeting minutes should be carried out by electronic form. Issuance of the shareholders meeting minute should be performed by the announcement in Market Observation Post System.
- 2. Meeting minutes should precisely include the year, month, day, location, name of the chairman, resolution method, main aspects as well as results in the meeting process and it should be consistently preserved as long as the company continues operating.
- 3. Numbers of shares by approval or rejection for a bill, as well as the total shares, should be documented precisely in the meeting minutes.

## Article 14

- 1. When the meeting is proceeding, the chairman should revolve the time and announce the break. Should there be any irresistible circumstances, the chairman will need to pause the meeting temporarily and announce the time when the meeting will commence again depending on the situation.
- 2. If the place for meeting is not able to be used anymore and the meeting topics (A.O.B. included) are yet finished due to the agendum scheduled for the meeting, the resolution is to be made by the shareholders' meeting to find another spot to proceed with the meeting.
- 3. Also the shareholders meeting is to comply with Article 182 of Company Act of R.O.C., and the resolution is made to either postpone the meeting in 5 days or to proceed.

## Article 14.1

If a member of the board of directors is the coordinator of the shareholders' meeting, then the chairman of the board should be the meeting chairman. If the chairman takes a leave or is not able to execute his duty out of some reasons, then the chairman should designate one of the board members to be the representative; also, if chairman of the board does not assign any representative, the board will choose one representative among themselves.

If the meeting is convened by other rightful coordinator instead of the board, the chairman should be this coordinator; and if there are two or more than two coordinators, they should choose one representative from among themselves.

The company is to assign the authorized attorneys, accountants as well as related personnel to attend the shareholders meeting.

## Article 15

Despite there being any contrary regulation or any law or regulation under the jurisdiction besides Cayman Islands, as well as any meeting procedural rules in

the article, they are all under the maximum coverage of the Cayman Islands jurisdiction to be applicable.

Article 16 Formulating and amending of the rules should be approved by the shareholders meeting and then validated.

# Appendix III: Influence of Issuance of Bonus Shares This Time upon Operational Performance, Earnings per Share as well as ROI of Company

Currency: NTD (thousand)
Earnings per Share in NTD

		Year	2019
Item  Beginning Paid-in C	'anital		197,469,000
Dividends	Capital Cash Dividends per Share (NTD)		1.75
Distribution of	Shares Distribution by Each	0	
This Year	•	U	
Tilis Teal	Capital Increase (share)  Shares Distribution by Each Share of Additional Boid in		0
	Shares Distribution by Each Share of Additional Paid-in		U
Variance in	Capital Transferred to Capital Increase (share)		
Variance in	Operating Income (Note 1)	=	
Operating Performance	Increase (decrease) Ratio of		
Performance	Comparison with Same Period Last Year		_
	Net Income after Tax		- T 1' 11
	Increase (decrease) Ratio of Net Income after Tax from		Inapplicable
	Comparison with Same Period Last Year		(Note 2)
	Earnings per Share		_
	Increase (decrease) Ratio of Earnings per Share from		
	Comparison with Same Period Last Year		=
	Average ROI Annual (invers	<del>-</del>	
Pro Forma	If Cash Dividends	Pro Forma Earnings per Share	_
Earnings per Share	Distribution by Total of	Pro Forma Average ROI Annual	
as well as PER	Capital Increase		
	Transferred from Earnings		_
	If Capital Increase	Pro Forma Earnings per Share	_
	Transferred from	Pro Forma Average ROI Annual	
	Additional Paid-in Capital		Inapplicable
	Undone		(Note 2)
	If Additional Paid-in	Pro Forma Earnings per Share	_
	Capital Undone as well as	Pro Forma Average ROI Annual	
	Cash Dividends		
	Distribution by Total of		
	Capital Increase		
	Transferred from Earnings		

Note 1: Shares distribution as well as 2019 dividends distribution are estimated in accordance with the board resolution on March 28, 2019. After the shareholders' meeting gives the approval this year, they have been carried out by the related rules.

Note 2: According to "Criteria Governing the Public Disclosure of Financial Forecast Information by Public Companies" of R.O.C., the company need not open the information concerning 2019 financial prediction.

# **Appendix IV:**

- I. Proposal Descriptions for Shareholders Meeting:
  - 1. According to Article 33 of the company, any shareholder who has 1% or more than 1% of the issued shares should submit in writing to our company for attending the shareholders' meeting.
  - 2. Proposal application of the shareholders' general meeting 2019 is under acceptance, which the term is from April 19, 2019 to April 29, 2019, and has been announced in the Market Observation Post System.
- II. No proposals from the shareholders are submitted during the term of proposal submission of the company.

# Appendix V: Shares in Hand of Every Director of the Board

Grand Ocean Retail Group Limited

Shares in Hand of Every Director of the Board

Book Close Date: April 29, 2019

Title	Name	Shares in Hand
Chairman	GUO RENHAO	0
Board of	First Steamship Co., Ltd.	7,226,000
Directors	Representative: HUANG QINGHAI	1,400,000
Board of	First Steamship S.A.	91,560,000
Directors	Representative: ZHANG JINGUO	
Board of	LEE SENG CHAY	0
Directors		
Independent	YEE SWEE CHOON	0
Director		
Independent	TIE JINGZHI	0
Director		
Independent	JIANG SHUHUI	0
Director		
Total		100,186,000

Note1: The company need not apply with Article 26 of R.O.C. Securities Exchange Act.

Note2: The company has deployed the audit committee itself, therefore the regulations concerning the inspector as also a shareholder as well need not be applied.

Note3: The sums of issued shares of the company as of April 29, 2019 are 195,531,000 shares (6,282,000 treasury shares included).





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