



Stock Code: 4943

## **CONCRAFT HOLDING CO., LTD.**

2022 Annual Shareholder's Meeting

Meeting Handbook  
(Translation)

Time: 2022.06.27 (09:00 a.m.)

Location: No. 79, Chajiao, Sanxia Dist., New Taipei City (The Great Roots  
Forestry Spa Resort)

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Note: This English translation is provided for reference only and might not reflect exactly the meaning and full text of the original language.

## **I. Meeting agenda**

Concraft Holding Co., Ltd.

Time : 09:00 a.m., June 27, 2022

Place : No. 79, Chajiao, Sanxia Dist., New Taipei City (The Great Roots Forestry Spa Resort)

Procedure of General Meeting:

I. Call Meeting to Order

II. Chairman's Address

III. Report Items

(1) 2021 Business Report

(2) Audit Committee's Review Report

(3) Implementation of the Company's Endorsement and Guarantees.

(4) 2021 accumulated loss incurred by a company aggregates to one half of its paid-in capital

IV. Proposed Resolutions

Item No. 1: 2021 Business Report and Financial Statements.

Item No. 2: 2021 Deficit Compensation

V. Discussion

Item No. 1: Amendments to the "Articles of Incorporation".

Item No. 2: Amendments to the "Procedural Rules of General Meeting".

Item No. 3: Amendments to the "Corporate Governance Best-Practice Principles".

Item No. 4: Amendments to the "Procedures for Acquisition or Disposal of Assets".

Item No. 5: 2021 the third quarter account receivable credit impairment dispute amount handling method

VI. Extempore Motions

VII. Meeting Adjournment

## **II. Report Items**

### **I. 2021 Business Report**

**Description:** Please refer to page 6 for the Company's 2021 Business Report [Annex 1].

### **II. Audit Committee's review report**

**Description:** Please refer to page 7 for the Audit Committee's Review Report [Annex 2].

### **III. Implementation of the Company's Endorsement and Guarantees**

**Description:** For the undertaking of endorsement and guarantee by the Group as of 2021.12.31, refer to page 8 of this handbook [Annex 3].

### **IV. 2021 accumulated loss incurred by a company aggregates to one half of its paid-in capital**

**Description:** The Company's paid-in capital is NT\$ 1,571,856 thousand, and the cumulative deficit in 2021 amounted to NT\$ 2,705,663 thousand, which has exceeded half of the paid-in capital. As per Article 211 of the Company Act, when the Company's deficit reached half of its paid-in capital, the Board of Directors shall report to the soonest shareholders' meeting. For the 2021 Deficit Compensation Statement, refer to page 9 of this handbook [Annex 4].

## **III. Proposed Resolutions**

### **Item No. 1**

(Proposed by the Board of Directors)

### **Proposal: To approve 2021 Business Report and Financial Statements.**

#### **Description:**

1. Consolidated financial statements of the Company for 2021, including consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow, have been audited by accountants Hsien-Cheng, Chen and Yi-Chang, Liang of PwC Taiwan.
2. Please refer to page 6 [Annex 1] and page 10 ~ 23 [Annex 5] for the 2021 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements.
3. Submit for ratification.

#### **Resolution:**

**Item No. 2**

(Proposed by the Board of Directors)

**Proposal: 2021 Deficit Compensation****Description:**

1. The Company's undistributed earnings at the beginning of 2021 was NT\$519,300,164. After the net loss after tax was deducted, plus other comprehensive income and reversed special reserve, the distributable earnings are NT\$(3,248,626,329).
2. As the Company has no retained earnings in the account, it is proposed not to distribute dividends this year.
3. The Company's 2021 Deficit Compensation Statement has been approved by the Board of Directors and reviewed by the Audit Committee. For the 2021 Deficit Compensation Statement, refer to page 9 of this handbook [Annex 4].
4. Submit for ratification.

**Resolution:****IV. Discussion****Item No. 1**

(Proposed by the Board of Directors)

**Proposal: Amendments to the "Articles of Incorporation".****Description:**

1. It is proposed to amend some of the articles of Articles of Incorporation of the Company in accordance with the relevant laws.
2. Please refer to page 24~26 [Annex 6] for the comparison table of Articles of Incorporation before and after the revision.

**Resolution:****Item No. 2**

(Proposed by the Board of Directors)

**Proposal: Amendments to the "Procedural Rules of General Meeting".****Description:**

1. It is proposed to amend some of the articles of Procedural Rules of General Meeting of the Company in accordance with the relevant laws.
2. Please refer to page 27~41 [Annex 7] for the comparison table of Procedural Rules of General Meeting before and after the revision.

**Resolution:**

**Item No. 3**

(Proposed by the Board of Directors)

**Proposal: Amendments to the “Corporate Governance Best Practice Principles”.****Description:**

1. It is proposed to amend some of the articles of Corporate Governance Best Practice Principles of the Company in accordance with the relevant laws.
2. Please refer to page 42~46 [Annex 8] for the comparison table of Guidelines Governing Election of Directors before and after the revision.

**Resolution:****Item No. 4**

(Proposed by the Board of Directors)

**Proposal: Amendments to the “Procedures for Acquisition or Disposal of Assets”.****Description:**

1. It is proposed to amend some of the articles of Procedures for Acquisition or Disposal of Assets of the Company in accordance with the relevant laws.
2. Please refer to page 47~56 [Annex 9] for the comparison table of Procedures for Acquisition or Disposal of Assets before and after the revision.

**Resolution:****Item No. 5**

(Proposed by the Board of Directors)

**Proposal: 2021 the third quarter account receivable credit impairment dispute amount handling method****Description:**

1. The Company's credit impairment of the accounts receivable in dispute in 2021 Q3 is expected to be handled in the following three methods:
  - (1) Civil action;
  - (2) Factoring of creditor's rights to an external party (asset management company);
  - (3) Partial buyout by insiders (major shareholders).
2. Civil action: It is expected to be completed in roughly 26 to 30 months, and the Company estimates to spend about 11 million to CNY 117 million in litigation.
3. Factoring of creditor's rights to an external party (asset management company): The disputed amount has not been determined in a judicial judgment; there are no other guarantees or notes; and there is no exchange value in the market; thus, as per the usual factoring of creditor's rights, the appraised value does not exceed 10% of the creditor's rights.
4. Partial buyout by insiders (major shareholders): The insiders agreed to buy out 30% of the total amount of the accounts receivable in an amount of CNY 176 million, and the oldest account should be purchased at 100% of the original price and the remaining 70% of the receivable will continue to be negotiated and handled in all feasible ways.

5. To sum up, the civil proceedings are protracted and time-consuming and the amount of litigation costs is huge; the feasibility and benefit of factoring of the creditor's rights to an external party are relatively low, so the Company intends to accept a proposal by major shareholders to recover the overdue accounts receivable more quickly to maintain the Company's normal operation and allow the Company to have new investors to increase our working capital to stably develop business in the automotive and semiconductor industries.

**Resolution:**

**V. Extempore Motions**

**VI. Meeting Adjournment**

**VII. Annex**

## Concraft Holding Co., Ltd.

### 2021 Business Report

Concraft Holding Co., Ltd. (hereinafter referred to as the “Company”) has a consolidated revenue of NT\$3.3 billion in 2021, a decrease of approximately 24% from NT\$4.3 billion in 2020. Our net loss after tax was NT\$3.8 billion, an increase of roughly 1,962% from NT\$185 million in 2020. The main reason for the decline in revenue and net income in 2021 was mainly due to the to the expected credit impairment of NT\$2.63 billion as a result of the differences in the perception of product quality issues or assignment of responsibility with a client in the third quarter of 2021. In addition, as our main products are wearable acoustic components and mobile phone acoustic components, the unit price, due to end customers’ strong price-cutting strategy against suppliers, has been reduced by more than 50% compared to the past; thus, the overall revenue of acoustic components and wearable acoustic components decreased by 44% compared with 2020. If the Company aims to grow in terms of business scale and performance, we must target other clients and industries, so we have become a Tier 1 supplier of auto parts for BOSCH, ZF, UMC, YAZAKI, and Brose since 2015. As European suppliers have not been able to supply as scheduled in recent years due to the COVID-19 pandemic, the Company's revenue in auto parts has begun to grow at a double speed, and our auto parts revenue has increased by 64% as of the end of 2021 compared with 2020. In 2021, the Company also became the Tier 1 supplier for electric vehicle brands, which is estimated to generate revenue from 2022 onward. In addition, the life cycle of auto parts is as long as 5–10 years. The long product life cycle is conducive to the Company's long-term arrangement of equipment and manpower. Therefore, the investment in the design and development of automation facilities will become the main capital expenditure in the future, and the utilization rate of traditional equipment will also increase with the prolongation of the product life cycle.

Important matters in the operation of the Company in 2021 are as follows:

**Important matters in operations:**

- I. The Company's revenue from auto parts and components accounted for 15% or higher.
- II. Became electric vehicle brands’ Tier 1 supplier.
- III. Stepped into the field of electric vehicle power unit parts.
- IV. Became many semiconductor packaging and testing companies’ supplier.
- V. Obtained medical ISO 13485 certification.
- VI. Stepped into the field of neurology and minimally invasive surgical consumables.

CONCRAFT HOLDING CO., LTD

Chairman: Chao-Sheng, Lu

President: Kuo-Chi, Lee

CFO: Chiao-Sheng Huang,



**Concraft Holding Co., Ltd.**  
**Audit Committee's Review Report**

The Board of Directors shall prepare the business report, the financial statements, and the surplus earning distribution proposals in 2021. The above business report, the financial statements, and the surplus earning distribution proposals have been reviewed by the Audit Committee and nothing is non-compliant, thus the present the report follows the above standards according to the rules in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act.

The above financial statements and the auditing report issued by PwC Taiwan have been reviewed by the Audit Committee and nothing is non-compliant, and it has been approved by all the members, and the Review report is ready.

With regards,

2022 Annual Shareholders' Meeting of Concraft Holding Co., Ltd.

**Concraft Holding Co., Ltd.**

Audit Committee Convener: Tso-Cheng Chang

May 10, 2022

## List of Endorsement and Guarantees of the Group

Unit: NT\$ 1,000, 2021/12/31

Endorser/ Guarantor	Endorsee/ Guarantee	Endorsement/Guarantee balance		Endorsement/ Guarantee Aggregate limit	Use
		Original currency amount	NT\$ Amount		
Dragonstate Technology Co., Ltd.	Dragonstate Technology Co., Ltd.	USD 1,000	NT\$ 27,680	NT\$ 197,156	Endorsement/ Guarantee of sales contract
Total			NT\$ 27,680		

**Concraft Holding Co., Ltd.**  
**The 2021 Deficit Compensation Statement**

Unit: NT\$

Beginning Retained Earnings	519,300,164
Less: Net loss after tax	(3,774,858,849)
Add: Other comprehensive income	25,164
Less: Legal Reserve	0
Add: Reverse Special Reserve	6,907,192
Distributable net profit	(3,248,626,329)
Less: Cash Dividend (NT\$ per share)	0
Less: Stock Dividend (NT\$ per share)	0
Unappropriated Retained Earnings	(3,248,626,329)

**CONCRAFT HOLDING CO., LTD. AND  
SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2021 AND 2020**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 21000435

To the Board of Directors and Shareholders of CONCRAFT HOLDING CO., LTD.

***Opinion***

We have audited the accompanying consolidated balance sheets of CONCRAFT HOLDING CO., LTD. and its subsidiaries (the “Group”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits of the consolidated financial statements in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### **Assessment of going concern assumption**

#### Description

For the year ended December 31, 2021, net loss attributable to owners of parent amounted to NT\$3,774,859 thousand (of which expected credit loss was NT\$2,626,267 thousand); as of December 31, 2021, the balance of current liabilities was more than current assets amounting to NT\$1,464,785, and accumulated deficits to be covered amounted to NT\$3,255,534 thousand, accordingly, the liquidity risk had significantly increased. As described in Note 12(1), the improvement plan of future operation and finance, the Group has subsequently adopted necessary measures in order to ensure continuous operations in the future and gradually improving financial conditions.

As the abovementioned measures has significant impact to the Group's financial conditions in the following year, we determined the assessment of going concern assumption a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management to discuss the event or condition which affect the Group's ability to continue as a going concern and related response plans.
2. Assessed the feasibility of the Group's response plans and the result of financial condition improvement.
3. Obtained the Group's cash flows project in following year which were prepared by management and performed following procedures:
  - (1) Inquired management about the basic assumption of preparation and verified with historical information and supporting documents.
  - (2) Examined the abovementioned supporting documents and verified with the obtainable external information.
  - (3) Compared the financial forecast information used by management with the actual result in a certain period after the balance sheet date.
4. Obtained the statement issued by management for the response plan and the feasibility.
5. Assessed the adequacy of financial statement notes disclosed by management.



## Evaluation of accounts receivable

### Description

Please refer to Note 4(10)(11) to the consolidated financial statements for accounting policy on recognition and evaluation of accounts receivable; Note 5(2) for uncertainty of accounting estimates and assumptions in relation to evaluation of accounts receivable; and Note 6(4) for the details of accounts receivable. As of December 31, 2021, the accounts receivable and allowance for bad debts amounted to NT\$3,674,881 thousand and NT \$2,686,292 thousand, respectively.

The Group recognized accounts receivable by selling goods to customers in the ordinary course of business, and collected according to the individual credit period of each customer. Allowance for bad debts is estimated based on the unrecoverable amount by referring to the aging analysis, historical experience and present financial conditions of each customer. In addition, the Group estimates unrecoverable amount based on the loss rate calculated by aging of accounts receivable past due as well as considering the industry forward-looking assessment to estimate expected credit loss. As of December 31, 2021, past-due accounts receivable amounted to NT \$2,564,058 thousand. Since the amount was significant and subject to management's judgement associated with past-due and unrecoverable amount, the evaluation of accounts receivable was identified as a key audit matter.

### How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on our understanding of the Group operation and sales transaction counterparty, assessed the reasonableness of procedures and policies used to determine allowance for bad debts, including the objective evidences that the management used to prove that accounts receivable has been impaired, and the policies that were used to determine the losses on bad debts.
2. Obtained the overdue aging report used when management assessed the impairment of accounts receivable, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents; and assessed the reasonableness of estimation that management adopted to estimate expected credit loss, including forward-looking adjustments, subsequent collections and economic conditions affecting customers.
3. Checked and tested accounts receivable aging analysis report which was classified by customers. Sampled individual customers to verify historical information of collection, considered subsequent events and discussed with management the recoverability of past-due accounts in order to evaluate the reasonableness of the losses on bad debts.
4. For the expected credit loss of accounts receivable accrued for the default of individual customers, examined management's assessment documents, including reviewing the meeting minutes of Board of Directors and related meeting minutes.





## Evaluation of inventories

### Description

Please refer to Note 4(14) to the consolidated financial statements for accounting policy on inventory valuation; Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation; and Note 6(6) for the details of inventory. As of December 31, 2021, inventories and allowance for inventory valuation losses amounted to NT\$770,314 thousand and NT\$206,092 thousand, respectively.

The Group is primarily engaged in manufacturing and selling of electronic connectors and related mold components. Due to the rapid changes in technology of the industry, short life cycle of products and highly fluctuation of market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The inventories are measured at the lower of cost and net realisable value, and the Group provides for losses based on individual net realisable value of inventories that are over a certain age and individually identified as obsolete or slow-moving inventories. Since the amount of inventories were significant with numerous items and subject to management's judgement in relation to inventory obsolescence or slow-moving inventories, the evaluation of inventories was identified as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Based on our understanding of the Group's operation and the nature of the industry, assessed the reasonableness of procedures as well as policies on providing allowance for inventory valuation losses, including the classification of inventory for determining net realizable value and the reasonableness of determining the obsolescence inventory.
2. Verified the appropriateness of the system logic in inventory aging report which the Group used for inventory valuation, in order to confirm the report information was consistent with policies.
3. Sampled and tested individual inventory item to verify the accuracy of sales price and purchase price, evaluated the appropriateness of net realisable value used specific identification to recognize losses of partial inventories by management, and assessed the reasonableness of allowance for inventory valuation losses.





### ***Responsibilities of management and those charged with governance for the financial statements***

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

### ***Auditors’ responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.



2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our auditors' opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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Chen, Hsien-Cheng

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Liang, Yi-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 31, 2022

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEETSDECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 95,919	2	\$ 231,914	2
1136	Current financial assets at amortised cost	6(3) and 8	321	-	320	-
1150	Notes receivable, net	6(4)(5) and 8	74,646	1	24,544	-
1170	Accounts receivable, net	6(4) and 12(2)	988,589	18	3,877,448	40
1200	Other receivables		176,646	3	23,868	-
1220	Current tax assets		1,807	-	7,094	-
130X	Inventories, net	6(6)	564,222	10	672,838	7
1410	Prepayments		108,120	2	90,860	1
1470	Other current assets	8	14,186	-	8,603	-
11XX	Current Assets		2,024,456	36	4,937,489	50
Non-current assets						
Financial assets at fair value through other comprehensive income-non-current						
1517		6(2) and 12(3)	445	-	525	-
1600	Property, plant and equipment, net	6(7) and 8	3,231,868	58	4,073,255	41
1755	Right-of-use assets	6(8) and 8	189,211	3	266,673	3
1780	Intangible assets, net	6(10)(11)	48,801	1	186,073	2
1840	Deferred income tax assets	6(28)	25,773	1	99,426	1
1915	Prepayments for business facilities	6(30)	10,478	-	65,745	1
1920	Guarantee deposits paid		13,054	-	13,773	-
1990	Other non-current assets, others	8	47,230	1	161,782	2
15XX	Non-current assets		3,566,860	64	4,867,252	50
1XXX	Total assets		\$ 5,591,316	100	\$ 9,804,741	100

(Continued)



## CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			Notes	December 31, 2021		December 31, 2020		
				Amount	%	Amount	%	
Current liabilities								
2100	Short-term borrowings	6(12)	\$	934,538	17	\$	151,311	2
2130	Contract liabilities-current	6(21)		14,058	-		161	-
2150	Notes payable			5,392	-		1,748	-
2170	Accounts payable			778,473	14		596,337	6
2200	Other payables	6(13)		584,149	10		335,035	4
2220	Other payables to related parties	7(2)		174,547	3		185,177	2
2230	Current income tax liabilities			21,685	-		22,275	-
2280	Current lease liabilities			65,174	1		61,350	1
2320	Long-term liabilities-current portion	6(15)		834,549	15		1,706,416	17
2365	Current refund liabilities			48,089	1		24,719	-
2399	Other current liabilities			28,587	1		22,021	-
21XX	Current Liabilities			3,489,241	62		3,106,550	32
Non-current liabilities								
2540	Long-term borrowings	6(15)		313,182	6		823,742	8
2570	Deferred income tax liabilities	6(28)		415,486	7		506,470	5
2580	Non-current lease liabilities			25,723	-		85,942	1
2600	Other non-current liabilities			33,565	1		41,277	1
25XX	Non-current liabilities			787,956	14		1,457,431	15
2XXX	Total Liabilities			4,277,197	76		4,563,981	47
Equity								
Equity attributable to owners of parent								
Share capital								
		6(17)(18)						
3110	Share capital - common stock			1,571,856	28		1,572,126	16
Capital surplus								
		6(19)						
3200	Capital surplus			2,664,083	48		2,685,289	27
Retained earnings								
		6(20)						
3310	Legal reserve			301,515	5		301,515	3
3320	Special reserve			248,356	4		437,878	4
3350	(Accumulated deficit) Unappropriated retained earnings		(	3,255,534)	( 58)		345,435	4
Other equity interest								
3400	Other equity interest		(	241,448)	( 4)	(	248,356)	( 2)
Treasury shares								
		6(18)						
3500	Treasury shares		(	75,403)	( 1)	(	74,053)	( 1)
31XX	Total equity attributable to owners of parent			1,213,425	22		5,019,834	51
36XX	Non-controlling interests	4(3)		100,694	2		220,926	2
3XXX	Total equity			1,314,119	24		5,240,760	53
Significant contingent liabilities and unrecognised contract commitments								
		9						
Significant events after the balance sheet date								
		11						
3X2X	Total liabilities and equity		\$	5,591,316	100	\$	9,804,741	100

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

**CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Item	Notes	2021		2020	
			Amount	%	Amount	%
4000	Sales revenue	6(21)	\$ 3,268,178	100	\$ 4,304,546	100
5000	Operating costs	6(6) and (26)(27)	( 3,348,735)	( 103)	( 3,233,168)	( 75)
5950	Net operating (loss) margin		( 80,557)	( 3)	1,071,378	25
	Operating expenses:	6(26)(27)				
6100	Selling expenses		( 104,250)	( 3)	( 102,301)	( 2)
6200	General and administrative expenses		( 372,219)	( 12)	( 408,785)	( 10)
6300	Research and development expenses		( 567,065)	( 17)	( 568,827)	( 13)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	( 2,626,267)	( 80)	( 29,997)	( 1)
6000	Total operating expenses		( 3,669,801)	( 112)	( 1,109,910)	( 26)
6900	Operating loss		( 3,750,358)	( 115)	( 38,532)	( 1)
	Non-operating income and expenses:					
7100	Interest income	6(22)	254	-	1,150	-
7010	Other income	6(23)	75,292	2	94,136	2
7020	Other gains and losses	6(24)	( 110,026)	( 3)	( 88,550)	( 2)
7050	Finance costs	6(25)	( 116,982)	( 3)	( 117,477)	( 2)
7000	Total non-operating income and expenses		( 151,462)	( 4)	( 110,741)	( 2)
7900	Loss before income tax		( 3,901,820)	( 119)	( 149,273)	( 3)
7950	Income tax benefit (expense)	6(28)	9,582	-	( 36,374)	( 1)
8200	Loss for the year		( \$ 3,892,238)	( 119)	( \$ 185,647)	( 4)
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Loss on remeasurements of defined benefit plans		\$ 221	-	\$ 154	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		-	-	( 228)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		( 45)	-	( 31)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Other components of other comprehensive income that will not be reclassified to profit or loss		( 16,188)	( 1)	151,210	3
8365	Equity related to non-current assets or disposal groups classified as held for sale		-	-	1,899	-
8300	Other comprehensive income (loss), net		( \$ 16,012)	( 1)	\$ 153,004	3
8500	Total comprehensive loss for the year		( \$ 3,908,250)	( 120)	( \$ 32,643)	( 1)
	Loss, attributable to:					
8610	Owners of the parent		( \$ 3,774,859)	( 115)	( \$ 145,438)	( 3)
8620	Non-controlling interest		( 117,379)	( 4)	( 40,209)	( 1)
	Total		( \$ 3,892,238)	( 119)	( \$ 185,647)	( 4)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		( \$ 3,788,018)	( 116)	\$ 12,550	-
8720	Non-controlling interest		( 120,232)	( 4)	( 45,193)	( 1)
	Total		( \$ 3,908,250)	( 120)	( \$ 32,643)	( 1)
9750	Basic losses per share	6(29)	( \$ 24.11)		( \$ 0.93)	
9850	Diluted losses per share	6(29)	( \$ 24.11)		( \$ 0.93)	

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

## Annex 5

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													
Notes	Retained earnings					Other equity interest							Total equity
	Share capital -common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Equity interest related to non-current assets or disposal groups classified as held for sale	Treasury shares	Total	Non-controlling interest	
<b>Year 2020</b>													
Balance at January 1, 2020	\$ 1,366,843	\$ 2,676,711	\$ 259,526	\$ 217,563	\$ 1,025,482	(\$ 383,808)	(\$ 49)	(\$ 53,736)	(\$ 284)	(\$ 74,033)	\$ 5,034,215	\$ 266,119	\$ 5,300,334
Net loss for 2020	-	-	-	-	( 145,438)	-	-	-	-	-	( 145,438)	( 40,209)	( 185,647)
Other comprehensive income (loss) for 2020	-	-	-	-	18	157,720	( 34)	-	284	-	157,988	( 4,984)	153,004
Total comprehensive income (loss)	-	-	-	-	( 145,420)	157,720	( 34)	-	284	-	12,550	( 45,193)	( 32,643)
Appropriation of 2019 earnings													
Legal reserve	6(20)	-	-	41,989	- ( 41,989)	-	-	-	-	-	-	-	-
Special reserve		-	-	-	220,315 ( 220,315)	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	- ( 68,081)	-	-	-	-	-	( 68,081)	- ( 68,081)	-
Stock dividends		204,242	-	-	( 204,242)	-	-	-	-	-	-	-	-
Conversion of convertible bonds	6(18)(19)	1,461	14,364	-	-	-	-	-	-	-	15,825	-	15,825
Employees' stock options expired	6(17)(18) and (19)	( 420)	( 5,789)	-	-	-	-	31,551	-	( 20)	25,325	-	25,325
Balance at December 31, 2020	\$ 1,572,126	\$ 2,685,289	\$ 301,515	\$ 437,878	\$ 345,435	(\$ 226,088)	(\$ 83)	(\$ 22,185)	\$ -	(\$ 74,053)	\$ 5,019,834	\$ 220,926	\$ 5,240,760
<b>Year 2021</b>													
Balance at January 1, 2021	\$ 1,572,126	\$ 2,685,689	\$ 301,515	\$ 437,878	\$ 345,435	(\$ 226,088)	(\$ 83)	(\$ 22,185)	\$ -	(\$ 74,053)	\$ 5,019,834	\$ 220,926	\$ 5,240,760
Net loss for 2021	-	-	-	-	( 3,774,859)	-	-	-	-	-	( 3,774,859)	( 117,379)	( 3,892,238)
Other comprehensive income (loss) for 2021	-	-	-	-	25	( 13,184)	-	-	-	-	( 13,159)	( 2,853)	( 16,012)
Total comprehensive loss	-	-	-	-	( 3,774,834)	( 13,184)	-	-	-	-	( 3,788,018)	( 120,232)	( 3,908,250)
Appropriation of 2020 earnings	6(20)												
Reversal of special reserve		-	-	( 189,522)	189,522	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	( 15,657)	-	-	-	-	-	( 15,657)	- ( 15,657)	-
Employees' stock options expired	6(17)(18) and (19)	( 270)	( 21,206)	-	-	-	-	20,092	-	( 1,350)	( 2,734)	- ( 2,734)	-
Balance at December 31, 2021	\$ 1,571,856	\$ 2,664,483	\$ 301,515	\$ 248,356	(\$ 3,255,534)	(\$ 239,272)	(\$ 83)	(\$ 2,093)	\$ -	(\$ 75,403)	\$ 1,213,425	\$ 100,694	\$ 1,314,119

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

## Annex 5

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax for the year		(\$ 3,901,820)	(\$ 149,273)
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation (including right-of-use assets)	6(24)(26)	1,509,534	1,454,702
Amortization	6(26)	55,620	62,107
Expected credit losses	12(2)	2,626,267	29,997
Net gain on financial assets or liabilities at fair value through profit or loss	6(24)	-	258
Interest expense	6(25)	116,982	117,048
Interest income	6(22)	( 254)	( 1,150)
Bond discount amortization		-	429
Compensation cost of employee restricted shares	6(17)	( 2,734)	25,325
Loss (gain) on disposal of property, plant and equipment	6(24)	( 17,558)	9,166
Gain on disposal of investments	6(24)	-	( 35,421)
Impairment loss	6(21)(24)	101,772	-
Loss on redemption of bonds payable		-	638
Changes in assets/liabilities relating to operating activities			
Net changes in liabilities relating to operating activities			
Notes receivable		( 50,102)	14,785
Accounts receivable		260,758	249,485
Other receivables		( 152,778)	10,647
Inventories		( 68,237)	( 157,039)
Prepayments		( 17,260)	( 12,487)
Other current assets		( 230)	4,069
Net changes in liabilities relating to operating activities			
Notes payable		3,644	( 3,453)
Contract liabilities-current		13,897	( 3,234)
Accounts payable		182,136	( 310,390)
Other payables		187,043	( 232,733)
Current refund liabilities		23,370	( 21,631)
Other current liabilities		6,567	11,749
Defined benefit liability		( 269)	( 432)
Other non-current liabilities		( 839)	14
Cash generated from operations		875,509	1,063,176
Interest received		254	1,150
Interest paid		( 121,391)	( 115,554)
Income tax paid		4,313	( 19,455)
Net cash provided by operating activities		758,685	929,317

(Continued)



CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in financial assets at fair value through other comprehensive income-non current		\$ 80	\$ 40
Proceeds from disposal of subsidiaries		-	35,301
Acquisition of property, plant and equipment	6(30)	( 613,436)	( 1,376,086)
Proceeds from disposal of property, plant and equipment		235,243	27,516
Acquisition of intangible assets		( 9,720)	( 19,244)
(Increase) decrease in restricted assets	8	110,911	( 72,013)
Decrease in refundable deposits		719	281
Increase in other non-current assets		( 12,549)	( 22,194)
Net cash used in investing activities		( 288,752)	( 1,426,399)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term loans		1,385,510	78,000
Decrease in short-term loans		( 599,763)	( 61,000)
Increase (decrease) in other payables (including related parties)		48,693	( 48,484)
Proceeds from long-term loans		603,870	1,784,578
Repayment of long-term loans		( 1,932,280)	( 1,448,229)
Payment of cash dividends		( 15,657)	( 68,081)
Repayment of principal portion of lease liabilities		( 47,245)	( 54,503)
Net cash (used in) provided by financing activities		( 556,872)	182,281
Effects of changes in foreign exchange rates		( 49,056)	148,338
Decrease in cash and cash equivalents		( 135,995)	( 166,463)
Cash and cash equivalents at beginning of year		231,914	398,377
Cash and cash equivalents at end of year		<u>\$ 95,919</u>	<u>\$ 231,914</u>

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

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR MEMORANDUM AND ARTICLES OF INCORPORATION

Annex 6

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 1	(Excerpt) "Applicable Listing Rules" means the relevant laws, regulations, rules and code as amended, from time to time, applicable as a result of the original and continued trading or listing of any Shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of Taiwan Company Act, Securities and Exchange Act, the Acts Governing Relations Between Peoples of the Taiwan Area and the Mainland Area, or any similar statute and the rules and regulations of the Taiwan authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the Taipei Exchange or the Taiwan Stock Exchange;	(Excerpt) "Applicable Listing Rules" means the relevant laws, regulations, rules and code as amended, from time to time, applicable as a result of the original and continued trading or listing of any Shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of Taiwan Company Act, Securities and Exchange Act, <u>the Business Mergers and Acquisitions Act</u> , the Acts Governing Relations Between Peoples of the Taiwan Area and the Mainland Area, or any similar statute and the rules and regulations of the Taiwan authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the Taipei Exchange or the Taiwan Stock Exchange;	To tweak the wording
Article 1	(Nil)	(Excerpt) <u>"Share Exchange" means that a company issues new shares to another company in exchange for part of issued shares in that company as the consideration;</u>	To add the definition of Share Exchange as in the Business Mergers and Acquisitions Act

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR MEMORANDUM AND ARTICLES OF INCORPORATION

Annex 6

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 49	For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the Board shall prepare a manual setting out the agenda of a general meeting (including all the subjects and matters to be resolved at the meeting) and shall make public announcement(s) in a manner permitted by the Applicable Listing Rules to disclose the contents of such manual together with other information related to the said meeting at least twenty-one (21) days prior to the date of annual general meetings and at least fifteen (15) days prior to the date of extraordinary general meetings. Such manual shall be distributed to all Shareholders attending the general meeting in person, by proxy or by corporate representative(s) (where the Shareholder is a corporation) at the general meeting.	For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the Board shall prepare a manual setting out the agenda of a general meeting (including all the subjects and matters to be resolved at the meeting) and shall make public announcement(s) in a manner permitted by the Applicable Listing Rules to disclose the contents of such manual together with other information related to the said meeting at least twenty-one (21) days prior to the date of annual general meetings and at least fifteen (15) days prior to the date of extraordinary general meetings. <u>Nevertheless, the public announcement(s) shall be made thirty (30) days prior to the date of the annual general meeting, provided that the paid-in capital of the end date of the last financial year reaches NT\$10 billion or more, or the sum of the foreign and mainland Chinese shareholdings stated in the shareholder register of its annual general meeting held in the immediately preceding year reaches 30% or more.</u> Such manual shall be distributed to all Shareholders attending the general meeting in person, by proxy or by corporate representative(s) (where the Shareholder is a corporation) at the general meeting.	To reflect Article 6 of the Regulations Governing Compliance and Information to be Published in Shareholders' Meeting Agenda for Public Companies amended on 16 December
Article 51A	(Nil)	(New) <u>For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, all general meetings can be held by means of visual communication network or other methods promulgated by Taiwan competent authorities, provided that the prerequisites, procedures and other compliance matters</u>	To reflect the change of applicable laws and regulations

# CONCRAFT HOLDING CO., LTD

COMPARISON TABLE FOR MEMORANDUM AND ARTICLES OF INCORPORATION

Annex 6

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<u>provided for by Taiwan competent authorities are satisfied. Where a general meeting is proceeded via visual communication network, the Shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</u>	
Article 67	Unless otherwise provided in these Articles, the voting at the general meeting may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the votes shall be described in the notice of the general meeting. If, however, the Shares are listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company must allow the voting at the general meeting be exercised by way of electronic transmission as one of the voting methods at the general meeting. If the Board resolves to hold a general meeting outside Taiwan, the Company must allow the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission.	Unless otherwise provided in these Articles, the voting at the general meeting may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the votes shall be described in the notice of the general meeting. If, however, the Shares are listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company must allow the voting at the general meeting be exercised <u>in writing and</u> by way of electronic transmission as one of the voting methods at the general meeting. If the Board resolves to hold a general meeting outside Taiwan, the Company must allow the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission.	To reflect the announcement issued by the TWSE on 14 May 2021 (Tai-Zheng-Shan-Second-No. 1101701488)
Article 123A	Other than that the Board of Directors is unwilling or unable to convene a general meeting, <u>an Independent Director of the Audit Committee</u> may convene a general meeting for the interest of the Company when necessary.	Other than that the Board of Directors is unwilling or unable to convene a general meeting, <u>a supervisor (if any)</u> may convene a general meeting for the interest of the Company when necessary.	To reflect the announcement issued by the TWSE on 14 May 2021 (Tai-Zheng-Shan-Second-No. 1101701488)

# CONCRAFT HOLDING CO., LTD

**COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING**

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 1-1	<p>[Excerpt]</p> <p>Unless otherwise provided in the Applicable Listing Rules and the Law, the general meetings of the Company shall be convened by the Board of Directors.</p> <p>The Company shall prepare the notice of general meetings, the proxy form, and the information relating to the subject and description of proposals for recognition and for discussion, election and/or dismissal of Directors and supervisors in the form of electronic file to be uploaded to the Market Observation Post System thirty (30) days before annual general meetings or fifteen (15) days before extraordinary general meetings. The meeting agenda for general meetings and supplemental meeting information shall be prepared in the form of electronic file to be uploaded to the Market Observation Post System twenty (21) days before annual general meetings or fifteen (15) days before extraordinary general meetings. The meeting agenda for general meetings and supplemental meeting information shall be ready for Shareholders' review at all time by fifteen (15) days before general meetings, and such information shall be available at the Company and professional stock agent appointed by the Company and be distributed at general meetings.</p>	<p>[Excerpt]</p> <p>Unless otherwise provided in the Applicable Listing Rules and the Law, the general meetings of the Company shall be convened by the Board of Directors.</p> <p><u>Changes to how the Company convenes the general meetings shall be resolved by the Board of Directors and made no later than mailing of the notice of general meetings.</u></p> <p>The Company shall prepare the notice of general meetings, the proxy form, and the information relating to the subject and description of proposals for recognition and for discussion, election and/or dismissal of Directors and supervisors in the form of electronic file to be uploaded to the Market Observation Post System thirty (30) days before annual general meetings or fifteen (15) days before extraordinary general meetings. The meeting agenda for general meetings and supplemental meeting information shall be prepared in the form of electronic file to be uploaded to the Market Observation Post System twenty (21) days before annual general meetings or fifteen (15) days before extraordinary general meetings. <u>Nevertheless, the public announcement(s) shall be made thirty (30) days prior to the date of the annual general meeting if that the paid-in capital of the end date of the last financial year reaches NT\$10 billion or more, or the sum of the foreign and mainland Chinese shareholdings stated in the shareholder register of its annual general meeting held in the immediately preceding year reaches 30% or more.</u> The meeting agenda for general meetings and supplemental meeting information shall be ready for</p>	<p>To revise according to Article 3 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022</p>

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p>Shareholders' review at all time by fifteen (15) days before general meetings, and such information shall be available at the Company and professional stock agent appointed by the Company and be distributed at general meetings.</p> <p><u>The Company shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to Shareholders for review in the following manner on the date of the general meeting:</u></p> <ol style="list-style-type: none"> <li><u>1. for physical general meetings, to be distributed on-site at the general meeting.</u></li> <li><u>2. for Hybrid General Meetings, to be distributed on-site at the general meeting and the electronic files transmitted to the virtual meeting platform.</u></li> <li><u>3. for Virtual General Meetings, electronic files shall be transmitted to the virtual meeting platform.</u></li> </ol>	
Article 1-2	[Excerpt] [Nil]	<p>[Excerpt]</p> <p><u>After a proxy form has been delivered to the Company, if a Shareholder intends to attend the meeting by means of visual communication method, this Shareholder shall issue a written notice to the Company to revoke the proxy at least two (2) days prior to the meeting date. If the revocation is not made during the prescribed period, the votes casted by the person as proxy shall prevail.</u></p>	To revise according to Article 3 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 2	<p>The Company shall include the information about the time slot when shareholders may report to the meeting the reporting location, and other important messages in the notice of general meetings.</p> <p>The time slot when shareholders may report to the meeting in the preceding paragraph shall begin no later than thirty minutes before the meeting. The reporting location shall be clearly identified and there should an adequate number of staff assigned for the matter.</p> <p>Shareholders <u>or their appointed proxies ("the Shareholders")</u> shall attend a Shareholders' meeting by presenting an attendance ID, sign-in card or other attendance identification. The Company shall not request any additional attendance identification randomly. A proxy solicitor shall bring his/her ID for verification.</p> <p>[Partially Omitted]</p>	<p>The Company shall include the information about the time slot when shareholders, <u>proxy solicitation agents, or proxies ("Shareholders" for the purpose of this Article 2)</u> may report to the meeting the reporting location, and other important messages in the notice of general meetings.</p> <p>The time slot when shareholders may report to the meeting in the preceding paragraph shall begin no later than thirty minutes before the meeting. The reporting location shall be clearly identified and there should an adequate number of staff assigned for the matter. <u>For general meetings held by means of visual communication network, Shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed to have attended the shareholders meeting in person.</u></p> <p>Shareholders shall attend a Shareholders' meeting by presenting an attendance ID, sign-in card or other attendance identification. The Company shall not request any additional attendance identification randomly. A proxy solicitor shall bring his/her ID for verification.</p> <p>[Partially Omitted]</p> <p><u>In the event of a general meetings held by means of visual communication network, shareholders who wish to attend such meeting via visual communication network shall register with the Company two (2) days prior to the meeting.</u></p>	<p>To revise according to Articles 6 and 13 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022</p>

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p><u>In the event of a general meeting held by means of visual communication network, the Company shall upload the meeting agenda, annual report and other meeting materials to the virtual shareholders meeting platform at least 30 minutes before the meeting starts and keep this information disclosed until the end of the meeting.</u></p> <p><u>In case a Shareholder who has submitted his votes by written ballot or electronic transmission intends to attend the general meeting in person or by means of visual communication network, he shall, at least two (2) days prior to the date of the meeting, revoke such vote in the same manner previously used in the exercising his voting power by written ballot or electronic transmission. If a Shareholder does not submit such revocation before the prescribed time, his vote by written ballot or electronic transmission shall prevail. If a Shareholder has submitted his or her vote in writing or by way of electronic transmission and has subsequently submitted a proxy appointing a person as his or her proxy to attend the general meeting on his or her behalf, the vote casted by that person subsequently appointed as his or her proxy shall prevail.</u></p>	
Article 2-1	[Nil]	<p><u>To convene a general meeting held by visual communication network, the Company shall include the follow particulars in the meeting notice:</u></p> <p>1. <u>How Shareholders attend the general meetings held by means of visual communication network and exercise their rights.</u></p>	To revise according to Article 6 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders



# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p>2. <u>Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars:</u></p> <p>(1) <u>To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.</u></p> <p>(2) <u>Shareholders not having registered to attend the affected virtual shareholders meeting shall not attend the postponed or resumed session.</u></p> <p>(3) <u>In case of a Hybrid General Meeting, when such meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the meeting online, meets the minimum legal requirement for a general meeting, then the shareholders meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting.</u></p> <p>(4) <u>Actions to be taken if the outcome of all proposals have been announced and there is no extraordinary motion.</u></p> <p>3. <u>To convene a general meeting held via visual communication network, and specify appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online.</u></p>	Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 3	The number of Shares represented by Shareholders attending the general meeting shall be calculated in accordance with the sign-in book or the number of attendance cards submitted by Shareholders.	The number of Shares represented by Shareholders attending the general meeting shall be calculated in accordance with the sign-in book or the number of attendance cards submitted by Shareholders <u>and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by written ballot or electronic transmission.</u>	To revise according to Article 9 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022
Article 4	[Partially Omitted] [Nil]	[Partially Omitted]  <u>The restrictions set forth in the preceding subparagraph do not apply when the Company convenes general meetings held by means of visual communication network. However, when the Company convenes such meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.</u>	To revise according to Articles 5 and 20 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022
Article 6	[Partially Omitted] [Nil]	[Partially Omitted]  <u>Where a shareholders meeting is held by visual communication network, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.</u>  <u>The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the</u>	

# CONCRAFT HOLDING CO., LTD

COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p>entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the meeting held by visual communication network.</p> <p><u>In case of a general meeting held by visual communication network, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.</u></p>	
Article 8	The chairman shall call the general meeting to order at the time scheduled for the general meeting and announce the number of non-voting rights and the <u>unmber</u> of shares present. If the number of Shares represented by the attending Shareholders has not yet constituted the quorum (more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote) at the time scheduled for the general meeting, the chairman may postpone the time for the meeting. The postponements shall be limited to two times at most, and the general meeting shall not be postponed for more than one hour in total. If after two postponements the number of Shares represented by the attending Shareholders has constituted more than one-third (1/3) of all Shares in issue present in person or by proxy and entitled to vote, a tentative resolution may be passed in accordance with the Applicable Listing Rules. Before the end of such a meeting, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half	The chairman shall call the general meeting to order at the time scheduled for the general meeting and announce the number of non-voting rights and the <u>number</u> of shares present. If the number of Shares represented by the attending Shareholders has not yet constituted the quorum (more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote) at the time scheduled for the general meeting, the chairman may postpone the time for the meeting. The postponements shall be limited to two times at most, and the general meeting shall not be postponed for more than one hour in total. If after two postponements the number of Shares represented by the attending Shareholders has constituted more than one-third (1/3) of all Shares in issue present in person or by proxy and entitled to vote, a tentative resolution may be passed in accordance with the Applicable Listing Rules. Before the end of such a meeting, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all Shares in issue, the chairman	To revise according to Article 9 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

**COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING**

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	(1/2) of all Shares in issue, the chairman <u>may put the tentative resolution(s) already passed to the Shareholders' resolution again in accordance with the Applicable Listing Rules.</u>	<u>shall declare the meeting adjourned. In the event of a general meeting held via visual communication network, the Company shall also declare the meeting adjourned at the virtual meeting platform.</u> <u>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Applicable Listing Rules; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.</u>	
Article 10	[Partially Omitted] [Nil]	[Partially Omitted] <u>Where a general meeting is convened via visual communication network, shareholders attending such meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.</u> <u>As long as questions so raised in accordance with the preceding paragraph are not in violation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the virtual meeting platform.</u>	To revise according to Article 11 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 12	[Partially Omitted] The Shares solicited by solicitors and Shares represented by proxies shall be disclosed in a statement in the form consistent with the Applicable Listing Rules posted at a conspicuous location within the meeting venue on the meeting day.	[Partially Omitted] The Shares solicited by solicitors, Shares represented by proxies <u>and shares represented shareholders attending the meeting by written ballot or electronic transmission</u> shall be disclosed in a statement in the form consistent with the Applicable Listing Rules posted at a conspicuous location within the meeting venue on the meeting day. <u>In the event a general meeting held via visual communication network, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.</u>  <u>During the Company's general meeting held via visual communication network, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.</u>	To revise according to Article 16 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022
Article 13	[Partially Omitted] [Nil]	[Partially Omitted] <u>When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her/its rights with respect to the</u>	To revise according to Article 13 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p><u>extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</u></p> <p><u>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two (2) days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</u></p> <p><u>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, two (2) days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</u></p>	

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 15	[Partially Omitted] [Nil]	<p>[Partially Omitted]</p> <p><u>When the Company convenes a general meeting held via visual communication network, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting. In the event of a general meeting held via visual communication network, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.</u></p> <p><u>In the event of a general meeting held via visual communication network, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.</u></p> <p><u>When the Company convenes a Hybrid General Meeting, if shareholders who have registered to attend the meeting online in accordance with Article 2 decide to attend the physical shareholders meeting in person, they shall revoke their registration two (2) days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online.</u></p> <p><u>When shareholders exercise voting rights by correspondence or</u></p>	To revise according to Articles 13 and 19 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<u>electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.</u>	
Article 16	[Partially Omitted] [Nil]	[Partially Omitted] <u>Where a general meeting is convened via visual communication network, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the general meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.</u> <u>When convening a Virtual General Meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a Virtual General Meeting online</u>	To revise according to Articles 15.4 and 15.5 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022



# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 18-1	[Nil]	<p><u>Handling of Disconnection and Digital Divide .</u></p> <p><u>In the event of a general meeting held via visual communication network, the Company may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve communication technical issues.</u></p> <p><u>In the event of a general meeting held via visual communication network, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five (5) days.</u></p> <p><u>For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders meeting online shall not attend the postponed or resumed session.</u></p> <p><u>For a meeting to be postponed or resumed under the second paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholbuders</u></p>	To revise according to Articles 21 and 22 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" as amended on 8 March 2022

# CONCRAFT HOLDING CO., LTD

## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p><u>meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.</u></p> <p><u>During a postponed or resumed session of a shareholders meeting held under the second paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors and supervisors.</u></p> <p><u>When the Company convenes a Hybrid General Meeting, and the virtual meeting cannot continue as described in second paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof under the second paragraph is required. Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting.</u></p> <p><u>When postponing or resuming a meeting according to the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder</u></p>	

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## COMPARISON TABLE FOR PROCEDURAL RULES OF GENERAL MEETING

Annex 7

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<p><u>Services of Public Companies.</u></p> <p><u>For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders meeting that is postponed or resumed under the second paragraph.</u></p> <p><u>When convening a Virtual General Meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online.</u></p>	

# CONCRAFT HOLDING CO., LTD

Comparison Table of Amendments to the Corporate Governance Best Practice Principles

Annex 8

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Feb 4th, 2016 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 6	<p>The Company's Board of Directors shall properly arrange the agenda items and procedures for shareholders' meetings and formulate the principles and procedures for shareholders' nominations for directors and submissions of proposals. The Board shall also properly handle the proposals duly submitted by shareholders. A shareholders' meeting shall be held at a convenient location, with sufficient time and sufficient numbers of suitable personnel assigned for the sign-in procedure. No arbitrary requirements shall be imposed on shareholders to provide additional documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.</p> <p>(Below is omitted)</p>	<p>The Company's Board of Directors shall properly arrange the agenda items and procedures for shareholders' meetings and formulate the principles and procedures for shareholders' nominations for directors and submissions of proposals. The Board shall also properly handle the proposals duly submitted by shareholders. A shareholders' meeting shall be held and <u>is advised to be assisted by video conferencing</u> at a convenient location, with sufficient time and sufficient numbers of suitable personnel assigned for the sign-in procedure. No arbitrary requirements shall be imposed on shareholders to provide additional documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.</p> <p>(Below is omitted)</p>	Amendment is made as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Article 10	<p>The Company shall place high importance on the shareholders' right to know and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on its financial position, operations, insiders' shareholdings, and corporate governance status through the Market Observation Post System (MOPS) or the website established by the Company.</p> <p>To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.</p> <p>To protect its shareholders' rights and interests and ensure</p>	<p>The Company shall place high importance on the shareholders' right to know <u>and prevent insider trading</u> and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on its financial position, operations, insiders' shareholdings, and corporate governance status through the Market Observation Post System (MOPS) or the website established by the Company.</p> <p>To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.</p> <p>To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt</p>	Amendment is made as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

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Comparison Table of Amendments to the Corporate Governance Best Practice Principles

Annex 8

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Feb 4th, 2016 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	their equal treatment, the Company shall adopt internal rules prohibiting its insiders from trading securities using information not disclosed to the market.	internal rules prohibiting its insiders from trading securities using information not disclosed to the market, <u>including but not limited to the rule that directors shall not trade their shares during the 30 days before the announcement of an annual financial report and the closed period of 15 days before the announcement of a quarterly financial report. It is advisable that the Company report the remuneration received by directors at the annual meeting of the shareholders, including the remuneration policy, the content and amount of individual directors' remuneration, and the relevance of the remuneration to the performance evaluation results.</u>	
Article 20	<p>(Above is omitted)</p> <p>The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating models, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>I. Basic requirements and values: Gender, age, nationality, and culture.</p> <p>II. Professional knowledge and skills: A professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>(Below is omitted)</p>	<p>(Above is omitted)</p> <p>The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating models, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>I. Basic requirements and values: Gender, age, nationality, and culture, <u>as well as the proportion of female directors advised to reach one-third of the number of total directors.</u></p> <p>II. Professional knowledge and skills: A professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>(Below is omitted)</p>	Amendment is made as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

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Comparison Table of Amendments to the Corporate Governance Best Practice Principles

Annex 8

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Feb 4th, 2016 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 24	The Company shall, in accordance with the Articles of Incorporation, appoint at least three independent directors, which shall reach one-fifth of the total number of directors.  (Below is omitted)	The Company shall, in accordance with the Articles of Incorporation, appoint at least three independent directors, which shall reach one-third to one-third <del>five</del> of the total number of directors <u>and is advised to be not less than one-third of the total. Independent directors shall not serve the positions for more than three consecutive terms.</u>  (Below is omitted)	Amendment is made as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Article 52	The Company shall disclose relevant information on corporate governance in the following year in accordance with relevant laws and regulations and the rules of Taiwan Stock Exchange Corporation or Taipei Exchange: I. The structure and rules of corporate governance. II. Shareholding structure and shareholders' rights and interests. III. The structure and independence of the Board of Directors. IV. Responsibilities of the Board of Directors and managers. V. The composition, responsibilities, and independence of the Audit Committee. VI. The composition, responsibilities, and operations of the Remuneration Committee. VII. Remuneration paid to directors, the President, and Vice Presidents in the most recent year, analysis of the proportion of total remuneration to net income after tax, the remuneration payment policy, standard, and package, procedures for determining remuneration, and the relevance of the remuneration to business performance. Under	The Company shall <u>set up a section on its official website and disclose and continue to update the relevant information on corporate governance below in the following year in accordance with relevant laws and regulations and the rules of Taiwan Stock Exchange Corporation or Taipei Exchange: Information on corporate governance during the year:</u> I. Board of Directors: Such as the resumes of Board members and their powers and responsibilities, the Board diversity policy, and the implementation thereof. <del>The structure and rules of corporate governance.</del> II. Functional committees: Such as the resumes of the members of each functional committee and their powers and responsibilities. <del>Shareholding structure and shareholders' rights and interests.</del> III. Regulations on corporate governance: Such as the Company's Articles of Incorporation, the Rules of the Procedure for Board of Directors Meetings, the charters of functional committees, and other relevant corporate governance regulations. <del>The structure and independence of the Board of</del>	Amendment is made as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

# CONCRAFT HOLDING CO., LTD

Comparison Table of Amendments to the Corporate Governance Best Practice Principles

Annex 8

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Feb 4th, 2016 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>any of the special circumstances below, it is advisable to disclose individual directors' remuneration as appropriate.</p> <p>VIII. The directors' continuing education.</p> <p>IX. Stakeholders' rights and relationships.</p> <p>X. The details of the handling of information disclosure regulated by laws and regulations.</p> <p>XI. Differences between the operation of corporate governance, the Corporate Governance Best Practice Principles formulated by the Company, and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.</p> <p>XII. Other information on corporate governance.</p> <p>The Company is advised to take appropriate measures to disclose its specific plans and measures to improve corporate governance depending on the implementation of corporate governance.</p>	<p><del>Directors.</del></p> <p><u>IV. Important information on corporate governance:</u> <u>Such as information on the appoint of a corporate governance officer. Responsibilities of the Board of Directors and managers.</u></p> <p><del>V. The composition, responsibilities, and independence of the Audit Committee.</del></p> <p><del>VI. The composition, responsibilities, and operations of the Remuneration Committee.</del></p> <p><del>VII. Remuneration paid to directors, the President, and Vice Presidents in the most recent year, analysis of the proportion of total remuneration to net income after tax, the remuneration payment policy, standard, and package, procedures for determining remuneration, and the relevance of the remuneration to business performance. Under any of the special circumstances below, it is advisable to disclose individual directors' remuneration as appropriate.</del></p> <p><del>VIII. The directors' continuing education.</del></p> <p><del>IX. Stakeholders' rights and relationships.</del></p> <p><del>X. The details of the handling of information disclosure regulated by laws and regulations.</del></p> <p><del>XI. Differences between the operation of corporate governance, the Corporate Governance Best Practice Principles formulated by the Company, and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.</del></p> <p><del>XII. Other information on corporate governance.</del></p>	

## CONCRAFT HOLDING CO., LTD

**Comparison Table of Amendments to the Corporate Governance Best Practice Principles**

Annex 8

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Feb 4th, 2016 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
		<del>The Company is advised to take appropriate measures to disclose its specific plans and measures to improve corporate governance depending on the implementation of corporate governance.</del>	



# CONCRAFT HOLDING CO., LTD

**Comparison Table for the Procedures for Acquisition or Disposal of Assets**

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 6	<p>The professional appraisers (and its personnel), the certified public accountants, the attorneys or the securities underwriters who issue evaluation report or opinions with respect to any transaction shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this requirement does not apply if 3 years have already passed since the completion of service of the sentence, the expiration of the period of a suspended sentence, or a pardon was received.</li> <li>2. May not be a related party or de facto related party of any party to the transaction.</li> <li>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</li> </ol>	<p>The professional appraisers (and its personnel), the certified public accountants, the attorneys or the securities underwriters who issue evaluation report or opinions with respect to any transaction shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this requirement does not apply if 3 years have already passed since the completion of service of the sentence, the expiration of the period of a suspended sentence, or a pardon was received.</li> <li>2. May not be a related party or de facto related party of any party to the transaction.</li> <li>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</li> </ol>	Amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

# CONCRAFT HOLDING CO., LTD

**Comparison Table for the Procedures for Acquisition or Disposal of Assets**

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When examining a case, they shall appropriately plan and execute adequate operation procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related operation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</li> <li>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</li> </ol>	<p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph the shall comply with <u>the self-discipline regulations of the associations to which they belong and the following matters:</u></p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When examining a case, they shall appropriately plan and execute adequate operation procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related operation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</li> <li>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</li> </ol>	

# CONCRAFT HOLDING CO., LTD

**Comparison Table for the Procedures for Acquisition or Disposal of Assets**

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 7	<p>(Above is omitted)</p> <p>IV. Appraisal reports of real property, other fixed assets or related right-of-use assets</p> <p>In acquiring or disposing of real property, equipment, or related right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$ 300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or related right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently.</li> <li>2. Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> </ol>	<p>(Above is omitted)</p> <p>IV. Appraisal reports of real property, other fixed assets or related right-of-use assets</p> <p>In acquiring or disposing of real property, equipment, or related right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$ 300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or related right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently.</li> <li>2. Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> </ol>	Amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

# CONCRAFT HOLDING CO., LTD

Comparison Table for the Procedures for Acquisition or Disposal of Assets

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion</p>	<p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be <del>engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</del> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion</p>	

# CONCRAFT HOLDING CO., LTD

Comparison Table for the Procedures for Acquisition or Disposal of Assets

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>may still be issued by the original professional appraiser.</p> <p>5. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>may still be issued by the original professional appraiser.</p> <p>5. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Article 8	<p>(Above is omitted)</p> <p>IV. Obtain professional opinions</p> <p>The Company acquiring or disposing of securities shall, prior to the date of the occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$ 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	<p>(Above is omitted)</p> <p>IV. Obtain professional opinions</p> <p>The Company acquiring or disposing of securities shall, prior to the date of the occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$ 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <del>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</del> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	Amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

# CONCRAFT HOLDING CO., LTD

**Comparison Table for the Procedures for Acquisition or Disposal of Assets**

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
Article 9	<p>(Above is Omitted)</p> <p>II. Evaluation and operation procedure</p> <p>When the Company intends to acquire or dispose of real property or related right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or related right-of-use assets from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$ 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property or related right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph (1) and (4)</li> </ol>	<p>(Above is Omitted)</p> <p>II. Evaluation and operation procedure</p> <p>When the Company intends to acquire or dispose of real property or related right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or related right-of-use assets from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$ 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property or related right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph (1) and (4)</li> </ol>	<p>Amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

# CONCRAFT HOLDING CO., LTD

Comparison Table for the Procedures for Acquisition or Disposal of Assets

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>of Section 3 of this Article.</p> <p>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, Section 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of equipment or related right-of-use assets for business use, or the right-of-</p>	<p>of Section 3 of this Article.</p> <p>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction. <del>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, Section 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</del></p> <p><u>Where the Company or its subsidiary that is not a domestic company engages in a transaction under paragraph 1, and</u></p>	

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Comparison Table for the Procedures for Acquisition or Disposal of Assets

Annex 9

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	<p>use assets of real estate for business use between the Company and its Subsidiaries, or between Subsidiaries whose shares or capital are 100% owned, directly or indirectly, by the Company, the Board may delegate the Chairman to decide such matters when the transaction is within a certain amount and submit such transaction for ratification by the Board in its next meeting.</p> <p>(Below is omitted)</p>	<p><u>the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the information listed in paragraph 1 to the shareholders' meeting for approval before proceeding to enter into a transaction contract or make a payment. However, the transactions between the Company and its parent or subsidiaries or between its subsidiaries are not subject to this provision.</u></p> <p><u>The transaction amount in paragraph 1 and the preceding paragraph shall be calculated as per the provisions under Article 15, paragraph 1, subparagraph (8) and the term “within the preceding year” refers to the year preceding the date of the current transaction. The portions have been reported to the shareholders’ meeting, passed by the Board of Directors, and ratified by the supervisors as per the Procedures need not be counted toward the transaction amount.</u></p> <p>(Below is omitted)</p>	
Article 10	<p>(Above is omitted)</p> <p>IV. The evaluation report by professionals towards intangible assets or related right-of-use assets or membership cards.</p> <p>1. If the transaction amount of membership cards acquired or disposed of by the Company is 1% of the paid-in capital or more than NT\$ 3 million, the Company shall ask the expert to issue the appraisal report.</p>	<p>(Above is omitted)</p> <p>IV. The evaluation report by professionals towards intangible assets or related right-of-use assets or membership cards.</p> <p>1. If the transaction amount of membership cards acquired or disposed of by the Company is 1% of the paid-in capital or more than NT\$ 3 million, the Company shall ask the expert to issue the appraisal report.</p>	Amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.



# CONCRAFT HOLDING CO., LTD

Comparison Table for the Procedures for Acquisition or Disposal of Assets

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>2. If the intangible assets or related right-of-use assets acquired or disposed of by the Company amount to 10% of the paid-in capital or more than NT\$ 20 million, an appraisal report shall be issued by an expert.</p> <p>3. Where the Company acquires or disposes of intangible assets or related right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$ 300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. The CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>(Below is omitted)</p>	<p>2. If the intangible assets or related right-of-use assets acquired or disposed of by the Company amount to 10% of the paid-in capital or more than NT\$ 20 million, an appraisal report shall be issued by an expert.</p> <p>3. Where the Company acquires or disposes of intangible assets or related right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$ 300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. <del>The CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</del></p> <p>(Below is omitted)</p>	
Article 15	<p>(Above is omitted)</p> <p>7. Except for the preceding six paragraphs, the asset transactions, the disposition of obligatory rights by financial institutions or investment in China's area, and if the transaction amount reaches 20% of company's paid-up capital or more than NT\$ 300 million. But the following shall not be subject to the restrictions:</p>	<p>(Above is omitted)</p> <p>7. Except for the preceding six paragraphs, the asset transactions, the disposition of obligatory rights by financial institutions or investment in China's area, and if the transaction amount reaches 20% of company's paid-up capital or more than NT\$ 300 million. But the following shall not be subject to the restrictions:</p>	Amended in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

# CONCRAFT HOLDING CO., LTD

Comparison Table for the Procedures for Acquisition or Disposal of Assets

Annex 9

Article No.	Before The Revision of Memorandum and Articles of Association (adopted by Aug 20th, 2021 General Meeting)	After The Revision of Memorandum and Articles of Association (adopted by March 30th, 2022 Board Meeting and June 27th 2022 General Meeting)	Explanations
	<p>7.1 Trading of domestic government bonds</p> <p>7.2 Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of 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.</p> <p>7.3 Buying and selling the repurchase agreement, reverse repurchase agreement, and buying or repurchasing money market funds issued by domestic Securities Investment Trust Enterprises.</p> <p>(Below is omitted)</p>	<p>7.1 Trading of domestic government bonds <u>or foreign bonds with a foreign central government with a sovereign rating not lower than the sovereign rating of Taiwan.</u></p> <p>7.2 Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of <u>foreign bonds or</u> ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, <u>or subscription or redemption of securities investment exchange traded notes,</u> 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.</p> <p>7.3 Buying and selling the repurchase agreement, reverse repurchase agreement, and buying or repurchasing money market funds issued by domestic Securities Investment Trust Enterprises.</p> <p>(Below is omitted)</p>	

## Concraft Holding Co., Ltd.

### Shareholdings of All Directors

Transfer termination date: April 29, 2022

Unit: Shares

<b>Title</b>	<b>Name</b>	<b>Date Elected</b>	<b>Current Shareholding</b>
Chairman	Monster Holding Co., Ltd.	2020.06.15	30,938,057
Director	AGI Holding Co., Ltd.	2020.06.15	22,235,669
Director	Lee, Chin-Hsing	2020.06.15	492,320
Director	Lee, Chu-Ching	2020.06.15	1,077,690
Independent Director	Chang, Tso-Cheng	2020.06.15	-
Independent Director	Chen, Wei-Chun	2020.06.15	-
Independent Director	Jang, Ben-Hwa	2020.06.15	-

Total shares issued as of 6/23/2014: 52,432,590 shares

Total shares issued as of 1/6/2016: 74,443,435 shares

Total shares issued as of 4/25/2017: 99,678,435 shares

Total shares issued as of. 4/14/2018: 107,171,857 shares

Total shares issued as of 4/19/2019: 118,419,043 shares

Total shares issued as of 4/17/2020: 136,799,020 shares

Total shares issued as of 4/27/2021: 157,208,582 shares

Total shares issued as of 4/29/2022: 157,183,582 shares

Note 1: All Directors of the Company are legally required to hold in the aggregate not less than 9,431,014 shares. The total number of shares held by all directors as on April 29, 2022: 54,743,736 shares.

Note 2: There is no regulation on the number of directors for foreign enterprises.

**THE COMPANIES LAW (AS AMENDED)**  
**COMPANY LIMITED BY SHARES**  
**AMENDED AND RESTATED**  
**MEMORANDUM AND ARTICLES OF ASSOCIATION**  
**OF**  
**CONCRAFT HOLDING CO., LTD**

**(Adopted by Special Resolution passed on August 20th, 2021)**

**THE COMPANIES LAW (AS AMENDED)**  
**COMPANY LIMITED BY SHARES**  
**AMENDED AND RESTATED**  
**MEMORANDUM OF ASSOCIATION**  
**OF**  
**CONCRAFT HOLDING CO., LTD**

(Adopted by Special Resolution passed on **August 20<sup>th</sup>, 2021**)

1. The name of the Company is CONCRAFT HOLDING CO., LTD (the "**Company**").
2. The registered office of the Company will be situated at the offices of Portcullius (Cayman) Ltd, The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands or at such other location as the Directors may from time to time determine.
3. The objects for which the Company is established are unrestricted.  
  
The Company have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law of the Cayman Islands (as amended) (the "**Law**").
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Law.
5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
6. The liability of the Shareholders of the Company is limited to the amount, if any, unpaid on the share respectively held by them.
7. The capital of the Company is **NT\$2,000,000,000** divided into **200,000,000** Common Shares of a nominal or par value of **NT\$10** each provided always that subject to the Law and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
8. The Company may exercise the power contained in Section 206 of the Law to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.

**THE COMPANIES LAW (AS AMENDED)**  
**COMPANY LIMITED BY SHARES**  
**AMENDED AND RESTATED**  
**ARTICLES OF ASSOCIATION**  
**OF**  
**CONCRAFT HOLDING CO., LTD**

(Adopted by Special Resolution passed on August 20<sup>th</sup>, 2021)

**TABLE A**

The Regulations contained or incorporated in Table 'A' in the First Schedule of the Law shall not apply to CONCRAFT HOLDING CO., LTD (the "**Company**") and the following Articles shall comprise the Articles of Association of the Company.

**INTERPRETATION**

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

"**Acquisition**" refers to an act wherein a company acquiring shares, business or assets of another company in exchange for shares, cash or other assets;

"**Affiliated Company**" means with respect to any affiliated company as defined in the Applicable Listing Rules;

"**Applicable Listing Rules**" means the relevant laws, regulations, rules and code as amended, from time to time, applicable as a result of the original and continued trading or listing of any Shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of Taiwan Company Act, Securities and Exchange Act, the Acts Governing Relations Between Peoples of the Taiwan Area and the Mainland Area, or any similar statute and the rules and regulations of the Taiwan authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the Taipei Exchange or the Taiwan Stock Exchange;

"**Articles**" means these articles of association of the Company, as amended or substituted from time to time;

"**Audit Committee**" means the audit committee of the Company formed by the Board pursuant to Article 118 hereof, or any successor audit committee;

"**Book-Entry Transfer**" means a method whereby the issue, transfer or delivery of Shares is effected electronically by debit and credit to accounts opened with securities firms by Shareholders, without delivering physical share certificates. If the Shareholder has not opened an account with a securities firm, the Shares delivered by Book-Entry Transfer shall be recorded in the entry sub-account under the Company's account with the securities central depositary in Taiwan;

"**Capital Reserves**" means the share premium account, income from endowments received by the Company, capital redemption reserve, profit and loss account and other reserves generated in accordance with generally accepted accounting principles.

"**Chairman**" has the meaning given thereto in Article 82;

**"Class"** or **"Classes"** means any class or classes of Shares as may from time to time be issued by the Company;

**"Commission"** means Financial Supervisory Commission of Taiwan or any other authority for the time being administering the Securities and Exchange Act of Taiwan;

**"Common Share"** means a common share in the capital of the Company of NT\$10 nominal or par value issued subject to and in accordance with the provisions of the Law and these Articles, and having the rights and being subject to restrictions as provided for under these Articles with respect to such Share;

**"Constituent Company"** means an existing company that is participating in a Merger with one (1) or more other existing companies within the meaning of the Law;

**"Directors"** and **"Board of Directors"** and **"Board"** means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof;

**"Delisting"** means (a) the delisting of the Shares registered or listed on any Taiwan stock exchange or securities market as a result of a Merger in which the Company will dissolve, general assumption (as defined in the Applicable Listing Rules), share swap (as defined in the Applicable Listing Rules) or Spin-off; and (b) the shares of the surviving company in the Merger, the transferee company in the general assumption or the existing company or newly-incorporated company in the share swap or Spin-off will not be registered or listed on any Taiwan stock exchange or securities market;

**"electronic"** shall have the meaning given to it in the Electronic Transactions Law (as amended) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;

**"electronic communication"** means transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds (2/3) of the vote of the Board;

**"Emerging Market"** means the emerging market board of Taipei Exchange in Taiwan;

**"Family Relationship within Second Degree of Kinship"** in respect of a natural person, means another natural 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 first person as well as the first person's spouse's parents, siblings and grandparents;

**"Guidelines Governing Election of Directors"** means guidelines governing election of Directors of the Company, as amended or substituted from time to time as prescribed in the Applicable Listing Rules;

**"Indemnified Person"** has the meaning given thereto in Article 152;

**"Independent Director"** means a director who is an independent director as defined in the Applicable Listing Rules;

**"Law"** means the Companies Law of the Cayman Islands (as amended);

**"Legal Reserves"** the legal reserve allocated in accordance with the Applicable Listing Rules;

**"Memorandum of Association"** means the memorandum of association of the Company, as amended or substituted from time to time;

**"Merger"** means the merging of two (2) or more Constituent Companies and the vesting of their undertaking, property and liabilities in one (1) of such companies as the Surviving Company within the meaning of the Law;

**"MOEA"** means Ministry of Economic Affairs of Taiwan being administering the Company Act of Taiwan and relevant corporate matters in Taiwan;

**"Office"** means the registered office of the Company as required by the Law;

**"Ordinary Resolution"** means a resolution passed by a simple majority of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled;

**"paid up"** means paid up as to the par value and any premium payable in respect of the issue of any Shares and includes credited as paid up;

**"Person"** means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;

**"preferred Shares"** has the meaning given thereto in Article 10;

**"Procedural Rules of Board Meetings"** means procedural rules of the Board meetings of the Company, as amended or substituted from time to time as prescribed in the Applicable Listing Rules;

**"Procedural Rules of General Meetings"** means procedural rules of the general meetings of the Company, as amended or substituted from time to time as prescribed in the Applicable Listing Rules;

**"Register"** or **"Register of Members"** means the register of Members of the Company required to be kept pursuant to the Law;

**"Republic of China"** or **"Taiwan"** means the Republic of China, its territories, its possessions and all areas subject to its jurisdiction;

**"Retained Earnings"** means the sums including but not limited to the Legal Reserves, Special Reserves, and unappropriated earnings;

**"Rules of Audit Committee"** means rules of Audit Committee of the Company, as amended or substituted from time to time as prescribed in the Applicable Listing Rules;

**"Seal"** means the common seal of the Company (if adopted) including any facsimile thereof;

**"Secretary"** means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;

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

**"Shareholder"** or **"Member"** means a Person who is registered as the holder of Shares in the Register;

**"Share Premium Account"** means the share premium account established in accordance with these Articles and the Law;

**"Shareholders' Service Agent"** means the agent licensed by Taiwan authorities to provide certain shareholders services in accordance with the Applicable Listing Rules to the Company;



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

**"Special Reserves"** means the reserve allocated from Retained Earnings in accordance with the Applicable Listing Rules, or resolutions of shareholders meetings;

**"Special Resolution"** means a special resolution of the Company passed in accordance with the Law, being a resolution passed by a majority of not less than two-thirds (2/3) of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled;

**"Spin-off"** refers to an act wherein a transferor company transfers all of its independently operated business or any single independently operated business to an existing or a newly incorporated company as consideration for that existing transferee company or newly incorporated transferee company to issue new shares to the transferor company or to shareholders of the transferor company;

**"Supermajority Resolution Type A"** means a resolution passed by Shareholders, as being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, such Shareholders holding not less than half of the Shares held by all Shareholders attending that meeting, and such meeting attended by Shareholders holding not less than two-thirds (2/3) of all issued Shares of the Company;

**"Supermajority Resolution Type B"** means where the Shareholders attending the general meeting are holding less than two-thirds (2/3) of all issued Shares of the Company entitled to vote thereon as required under the Supermajority Resolution Type A, a resolution passed by Shareholders, as being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, such Shareholders holding not less than two-thirds (2/3) of the Shares held by all Shareholders attending that meeting, and such meeting attended by Shareholders holding not less than half of all issued Shares of the Company;

**"Supermajority Special Resolution"** means a Special Resolution approved by the Shareholders holding at least two-thirds (2/3) of the Shares in issue at the time of the general meeting;

**"Surviving Company"** means the sole remaining Constituent Company into which one (1) or more other Constituent Companies are merged within the meaning of the Law;

**"Taipei Exchange"** means the Taipei Exchange in Taiwan;

**"Treasury Shares"** means Shares that were previously issued but were purchased, redeemed or otherwise acquired by the Company and not cancelled, in accordance with these Articles, the Law and the Applicable Listing Rules; and

**"TSE"** means the Taiwan Stock Exchange.

2. In these Articles, save where the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice versa;
- (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
- (c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;

- (d) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
  - (e) reference to any determination by the Directors shall be construed as a determination by the Directors in their absolute discretion and shall be applicable either generally or in any particular case; and
  - (f) reference to "in writing" shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing or partly one (1) and partly another.
3. Subject to the last two preceding Articles, any words defined in the Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

#### PRELIMINARY

4. The business of the Company may be commenced at any time after incorporation.
5. The Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.
6. The preliminary expenses incurred in the formation of the Company and in connection with the issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.
7. The Board of Directors shall keep, or cause to be kept, the Register which may be kept in or outside the Cayman Islands at such place as the Board of Directors may from time to time determine and, in the absence of any such determination, the Register shall be kept at the Office.

#### SHARES

8. Subject to these Articles, all Shares for the time being unissued shall be under the control of the Directors who may :
- (a) issue, allot and dispose of the same to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine; and
  - (b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto;
- and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.
9. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) shall be fixed and determined by the Directors.
10. The Company may issue Shares with rights which are preferential to those of ordinary Shares issued by the Company ("**preferred Shares**") with the approval of a majority of the Directors present at a meeting attended by two-thirds (2/3) or more of the total number of the Directors and with the approval of a Special Resolution. Prior to the issuance of any preferred Shares

approved pursuant to this Article 10, these Articles shall be amended to set forth the rights and obligations of the preferred Shares, including but not limited to the following terms, and the same shall apply to any variation of rights of preferred Shares:

- (a) number of preferred Shares issued by the Company and the number of preferred Shares the Company is authorized to issue;
  - (b) order, fixed amount or fixed ratio of allocation of dividends and bonus on preferred Shares;
  - (c) order, fixed amount or fixed ratio of allocation of surplus assets of the Company;
  - (d) order of or restriction on the voting right(s) (including declaring no voting rights whatsoever) of preferred Shareholders;
  - (e) other matters concerning rights and obligations incidental to preferred Shares; and
  - (f) the method by which the Company is authorized or compelled to redeem the preferred Shares, or a statement that redemption rights shall not apply.
11. Subject to these Articles and the Applicable Listing Rules, the issue of new Shares of the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds (2/3) or more of the total number of the Directors. The issue of new Shares shall at all times be subject to the sufficiency of the authorised capital of the Company.
12. Subject to Article 12A, the Company shall not issue any unpaid Shares or partly paid-up Shares. The Company shall not issue shares in bearer form.
- 12A. If a subscriber fails to pay any call or instalment of call with respect of any Shares on the day appointment for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued, within a period of not less than 1 month from the date of the notice given by the Directors. The notice shall name a further day (not earlier than the expiration of aforesaid one month or longer period from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the call was made will be liable to be forfeited. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a determination of the Directors to that effect. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified. Under the aforesaid circumstances, compensation for loss or damage, if any, may still be claimed against such defaulting Shareholder.
13. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, upon each issuance of new Shares, the Directors may reserve not more than fifteen percent (15%) of the new shares for subscription by the employees of the Company and/or any Subsidiaries of the Company who are determined by the Board in its reasonable discretion. The term "Subsidiaries" above refers to the companies defined under No. 10 and No. 11 of the IFRS (i.e., International Financial Reporting Standards) and No. 28 of the IAS (i.e., International Accounting Standards).

14. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, unless otherwise provided herein, in the Applicable Listing Rules or resolved by the Shareholders in general meeting by Ordinary Resolution, if at anytime the Board resolves to issue any new Shares, the Company shall, after reserving the portion of Shares for subscription by its employees and for public offering in Taiwan pursuant to Article 13 (if any) and Article 16 respectively, first offer such remaining new Shares by public announcement and a written notice to each then Shareholder for their subscriptions in proportion to the number of Shares held by them respectively. The public announcement and written notice shall state that if any Shareholder fails to subscribe for new Shares, his right shall be forfeited. Where a fractional percentage of the original Shares being held by a Shareholder is insufficient to subscribe for one new Share, the fractional percentages of the original Shares being held by several Shareholders may be combined for joint subscription of one (1) or more integral new Shares or for subscription of new Shares in the name of a single Shareholder. New Shares left unsubscribed by original Shareholders may be open for public offering or for subscription by specific person or persons through negotiation.
15. The Shareholders' pre-emptive right prescribed under Article 14 shall not apply in the event that new Shares are issued due to the following reasons or for the following purpose:
  - (a) in connection with a Merger with another company, or the Spin-off of the Company, or pursuant to any reorganization of the Company;
  - (b) in connection with meeting the Company's obligation under Share subscription warrants and/or options;
  - (c) in connection with meeting the Company's obligation under corporate bonds which are convertible bonds or vested with rights to acquire Shares; or
  - (d) in connection with meeting the Company's obligation under preferred Shares vested with rights to acquire Shares.
16. For so long as the Shares are registered in the Emerging Market, unless otherwise provided in the Applicable Listing Rules, where the Company increases its capital by issuing new Shares in Taiwan, the Company may allocate ten percent (10%) of the total amount of the new Shares to be issued, for offering in Taiwan to the public unless it is not deemed necessary or appropriate by the Commission, according to the Applicable Listing Rules, for the Company to conduct the aforementioned public offering.

For so long as the Shares are listed on the Taipei Exchange or TSE, unless otherwise provided in the Applicable Listing Rules, where the Company increases its capital by issuing new Shares in Taiwan, the Company shall allocate ten percent (10%) of the total amount of the new Shares to be issued, for offering in Taiwan to the public unless it is not deemed necessary or appropriate by the Commission, according to the Applicable Listing Rules, for the Company to conduct the aforementioned public offering. Provided however, if a percentage higher than the aforementioned ten percent (10%) is resolved by an Ordinary Resolution to be offered, the percentage determined by such resolution shall prevail.

For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, unless otherwise provided in the Applicable Listing Rules, the Company shall obtain a prior approval of the Commission and/or other competent authorities for any capital increase (ie., issue of new Shares) (whether inside Taiwan or outside Taiwan) in accordance with the Applicable Listing Rules.
17. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company may, 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, adopt one (1) or more employee incentive programmes (such as employee stock option plan) pursuant to which options, warrants, or other similar instruments to acquire Shares may be granted to employees of the Company and/or any Subsidiaries of the Company to subscribe for Shares; provided that, in no event shall the aggregate number of shares to be issued pursuant to such employee incentive programs exceed fifteen percent

(15%) of the then total issued and outstanding shares of the Company. The options, warrants, or other similar instruments to acquire Shares granted to any employee under any employee stock option plan shall be non-transferable, except to the heirs of the employees. The term "Subsidiaries" above refers to the companies defined under No. 10 and No. 11 of the IFRS (i.e., International Financial Reporting Standards) and No. 28 of the IAS (i.e., International Accounting Standards).

- 17B. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the Company may, with the authority of either a Supermajority Resolution Type A or a Supermajority Resolution Type B, issue restricted shares for employees. In respect of the issuance of restricted shares for employees in the preceding paragraph, the number of shares to be issued, issue price, issue conditions and other matters shall be subject to the Applicable Listing Rules and the requirements of the Commission.

### PRIVATE PLACEMENT

- 17C. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company may by a resolution passed by at least two-thirds (2/3) of votes cast by Shareholders present at the general meeting with a quorum of more than half of the total number of the issued Shares at the general meeting carry out private placement of its securities to the following entities in Taiwan:

- (a) banking enterprises, bill enterprises, trust enterprises, insurance enterprises, securities enterprises or any other legal entities or institutions approved by the Commission;
- (b) individuals, legal entities or funds meeting the qualifications established by the Commission; and
- (c) Directors, supervisors (if any) and managers of the Company or the Affiliated Companies.

For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, a private placement of ordinary corporate bonds may be carried out in instalments within one (1) year of the date of the relevant resolution of the Board of Directors approving such private placement.

### MODIFICATION OF RIGHTS

18. Whenever the capital of the Company is divided into different Classes (such as the Common Shares and the preferred Shares), the rights attached to any such Class may (unless otherwise provided by the terms of issue of the Shares of that Class) only be materially adversely varied or abrogated (including but not limited to the circumstances where there is any amendment to these Articles which may be prejudicial to the rights of the holders of any preferred Shares) by: (i) a Special Resolution passed at a general meeting of holders of Common Shares; and (ii) a Special Resolution passed at a separate meeting of the holders of Shares of the relevant Class (such as the preferred Shares).

To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one (1) or more Persons at least holding or representing by proxy one-half (1/2) of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to the terms of issue of the Shares of that Class, every Shareholder of the Class shall on a poll have one (1) vote for each Share of the Class held by him.

19. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares

of that Class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of Shares of any Class by the Company.

### **CERTIFICATES**

20. The Company shall deliver Shares to the subscribers of new Shares by Book-Entry Transfer within thirty (30) days from the date the Shares may be issued pursuant to the Applicable Listing Rules and make public announcement prior to the delivery. So long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE, the Company may issue the Shares in scriptless form provided that the Company shall register with the securities central depository in Taiwan. No Person shall be entitled to a certificate for any or all of his/her Shares, unless the Directors shall determine otherwise.

### **FRACTIONAL SHARES**

21. Subject to these Articles, the Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one (1) fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

### **TRANSFER OF SHARES**

22. Title to Shares which are registered in the Emerging Market or listed in the Taipei Exchange or the TSE may be evidenced and transferred in accordance with the Applicable Listing Rules. Subject to the Applicable Listing Rules, the Law and Article 40E, Shares issued by the Company shall be freely transferable, provided that any Shares reserved for issuance to the employees of the Company may be subject to transfer restrictions for a period of not more than two (2) years as the Directors may agree with such employees.

Subject to the Law and notwithstanding anything to the contrary in these Articles, Shares that are listed or admitted to trading on an approved stock exchange (as defined in the Law, including the Taipei Exchange and the TSE), may be evidenced and transferred in accordance with the rules and regulations of such exchange.

23. The instrument of transfer of any Share shall be in any usual or common form or such other form as the Directors may, in their absolute discretion, approve or the form required by the Taipei Exchange or TSE (for so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE) and be executed by or on behalf of the transferor and if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares. The Register of Members maintained by the Company in respect of the Shares which are registered in the Emerging Market or listed in the Taipei Exchange or the TSE may be kept by recording the particulars required under the Law in a form otherwise than legible provided such recording otherwise complies with the laws applicable to the Emerging Market, Taipei Exchange or TSE and the Applicable Listing Rules. To the extent the Register of Members is kept in a form otherwise than legible it must be capable of being reproduced in a legible form.
24. The Board may decline to register any transfer of any Share unless:
  - (a) the instrument of transfer is lodged with the Company, accompanied by the certificate (if any) for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
  - (b) the instrument of transfer is in respect of only one (1) class of Shares;

- (c) the instrument of transfer is properly stamped, if required; or
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four (4).

This Article is not applicable during the period that the Shares are registered in the Emerging Market or listed in Taipei Exchange or TSE.

- 25. The registration of transfers may be suspended when the Register is closed in accordance with Article 41.
- 26. All instruments of transfer that are registered shall be retained by the Company, but any instrument of transfer that the Directors decline to register shall (except in any case of fraud) be returned to the Person depositing the same.

### **TRANSMISSION OF SHARES**

- 27. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two (2) or more holders, the survivors or survivor, or the legal personal representatives of the deceased, shall be the only Person recognised by the Company as having any title to the Share.
- 28. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made. 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, but the Directors shall, in either case, have the same right to decline or suspend registration, and for so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, decline or suspend registration in accordance with the laws applicable to the Emerging Market, Taipei Exchange or TSE and the Applicable Listing Rules, as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
- 29. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder 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 (90) 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. Notwithstanding the above, for so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the Directors shall comply with the laws applicable to the Emerging Market, Taipei Exchange or TSE and the Applicable Listing Rules.

### **VOTING ON RESOLUTION**

- 30. The Company may from time to time by Special Resolution increase the share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe.

The Company may from time to time by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;

- (b) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;
- (c) subdivide its existing Shares, or any of them into Shares of a smaller amount; and
- (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled.

31. The Company may also by Special Resolution:

- (a) change its name;
- (b) subject to the Law, reduce its share capital and any capital redemption reserve in any manner authorised by law; and
- (c) effect a Merger of the Company in accordance with the Applicable Listing Rules and the Law.

For the avoidance of doubt, in case a Merger is a Delisting, Article 33A shall apply.

32. The Company may also by either a Supermajority Resolution Type A or the Supermajority Resolution Type B:

- (a) enter into, amend, or terminate any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others;
- (b) transfer the whole or any material part of its business or assets;
- (c) take over the transfer of another's whole business or assets, which will have a material effect on the business operation of the Company;
- (d) effect any Spin-off of the Company in accordance with the Applicable Listing Rules;
- (e) grant waiver to the Director's engaging in any business within the scope of the Company's business;
- (f) issue restricted shares for employees pursuant to Article 17B;
- (g) distribute part or all of its dividends or bonus by way of issuance of new Shares, for the avoidance of doubts, the allotment of bonus shares in connection with the Employees' Remunerations and Directors' Remunerations pursuant to Article 129 shall not require the approval of a Supermajority Resolution Type A or a Supermajority Resolution Type B; and
- (h) share swap.

33. Subject to the Law, these Articles and the quorum requirement under the Applicable Listing Rules, with regard to the dissolution procedures of the Company, the Company shall pass:

- (a) either a Supermajority Resolution Type A or a Supermajority Resolution Type B, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or
- (b) a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 33(a) above.

33A The Company shall pass a Supermajority Special Resolution if the Company effects a Delisting in accordance with the Applicable Listing Rules.



34. Subject to the Law, in the event any of the resolutions with respect to the paragraph (a), (b), or (c) of Article 32 is adopted by general meeting, any Shareholder who has notified the Company in writing of his objection to such proposal prior to such meeting and subsequently raised his objection at the meeting may request the Company to purchase all of his Shares at the then prevailing fair price within twenty (20) days after the date of the resolution. In the event the Company fails to reach such agreement with the Shareholder within sixty (60) days after the date of the resolution, the Shareholder may, within thirty (30) days after such sixty (60)-day period, file a petition to any competent court of Taiwan for a ruling on the appraisal price, and, to the extent that the ruling is capable of enforcement and recognition outside Taiwan, such ruling by such Taiwan court shall be binding and conclusive as between the Company and requested Shareholder solely with respect to the appraisal price.

Subject to the Law, in the event any part of the Company's business is Spun Off or involved in any Merger, Acquisition or share swap with any other company, the Shareholder, who has forfeited his right to vote on such matter and expressed his dissent therefor, in writing or verbally (with a record) before or during the general meeting, may request the Company to purchase all of his Shares in writing at the then prevailing fair price within twenty (20) days after the date of the resolution and specifies the price of the Shares to be repurchased.

For the purpose of this Article 34, if the Company and any Shareholder reach an agreement about the price of the Shares to be repurchased by the Company, the Company shall pay for such agreed purchase price of Shares to be repurchased within ninety (90) days from the date of passing of the resolution by general meeting. In case no agreement as to the purchase price is reached, the Company shall pay the fair price as determined by the Company to such Shareholder within ninety (90) days from the date on which the resolution was adopted. If the Company fails to pay the agreed purchase price, the Company shall be deemed to agree to the price as requested by the Shareholder.

For the Shareholder who requests the Company to purchase all of his Shares in accordance with the second paragraph, in the event the Company fails to reach such agreement with the Shareholder within sixty (60) days after the date on which the resolution was adopted, the Company shall apply to the court for a ruling on the fair price against all the dissenting shareholders as the opposing party within thirty (30) days after such sixty-day period, and Taiwan Taipei District Court has the jurisdiction.

## REDEMPTION AND PURCHASE OF SHARES

35. Subject to the Law, the Applicable Listing Rules and these Articles, the Company is authorized to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Shareholder. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the repurchase of the Shares by the Company shall be subject to the Applicable Listing Rules and the Cayman Islands law.
36. The Company is authorised to make payments in respect of the redemption of its shares out of the funds lawfully available (including out of capital) in accordance with the Law and the Applicable Listing Rules.
37. The redemption price of a redeemable Share, or the method of calculation thereof, shall be fixed by the Directors at or before issue of such Share. Subject to these Articles, every share certificate representing a redeemable share shall indicate that the share is redeemable.
38. Subject to the Applicable Listing Rules and Articles 38B and 39B, and with the sanction of an Ordinary Resolution authorising the manner and terms of purchase, the Directors may on behalf of the Company purchase any share in the Company (including a redeemable share) by agreement with the Shareholder or pursuant to the terms of the issue of the share and may make payments in respect of such purchase in accordance with the Law, the Applicable Listing Rules and the Ordinary Resolution authorizing the manner and terms of purchase.
- 38B. Subject to the Applicable Listing Rules, upon approval of a majority of Directors present at a Board meeting attended by two-thirds (2/3) of all Directors or more, the Company may repurchase its outstanding Shares listed on the Taipei Exchange or TSE. The resolutions of Board of Directors in the preceding paragraph and how such resolutions are implemented shall be reported to the Shareholders at the next general meeting. If the Company fails to

accomplish the repurchase of its outstanding Shares listed on the Taipei Exchange or TSE as approved and anticipated by the resolutions of the Board of Directors, it shall be reported to the Shareholders at the next general meeting.

39. The redemption price or repurchase price may be paid in any manner authorised by the Law and these Articles. A delay in payment of the redemption price or repurchase price shall not affect the redemption or repurchase but, in the case of a delay of more than thirty (30) days, interest shall be paid for the period from the due date until actual payment at a rate which the Directors, after due enquiry, estimate to be representative of the rates being offered by Class A banks in the Cayman Islands for thirty day deposits in the same currency.
- 39B. The Shares may only be cancelled in connection with a repurchase of Shares out of the share capital of the Company or any account or funds legally available therefor with the sanction of either the Supermajority Resolution Type A or the Supermajority Resolution Type B. The number of Shares to be repurchased and cancelled pursuant to a repurchase of Shares described in the preceding paragraph shall be pro rata among the Shareholders in proportion to the number of Shares held by each such Shareholder.

The amount payable to the Shareholders in connection with a repurchase of Shares out of the share capital of the Company or any account or funds legally available therefor may be paid in cash or by way of delivery of assets in specie (i.e., non-cash). The assets to be delivered and the amount of such substitutive share capital in connection with a repurchase of Shares out of the share capital of the Company or any account or funds legally available therefor shall be approved by either the Supermajority Resolution Type A or the Supermajority Resolution Type B and shall be subject to consent by the Shareholder receiving such assets. Prior to such general meeting, the Board of Directors shall have the value of assets to be delivered and the amount of such substitutive share capital in respect of repurchase of the Shares (as described in the preceding paragraph) be audited and certified by a certified public accountant in Taiwan.

### TREASURY SHARES

40. No share may be redeemed unless it is fully paid-up. Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) may, at the option of the Company, be immediately cancelled or held as Treasury Shares in accordance with the Law and Applicable Listing Rules. If the Board of Directors does not specify that the relevant Shares are to be held as Treasury Shares, such Shares shall be cancelled.
- 40B. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be declared or paid in respect of Treasury Shares.
- 40C. The Company shall be entered into the Register as the holder of the Treasury Shares provided that:
- (a) the Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
  - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued Shares at any given time, whether for the purposes of these Articles or the Law, save that, subject to the Applicable Listing Rules and the Law, an allotment of Shares as fully paid bonus shares in respect of a Treasury Shares is permitted and Shares allotted as fully paid bonus shares in respect of a Treasury Shares shall be treated as Treasury Shares.
- 40D. Subject to Article 40E and the Applicable Listing Rules, the Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Board of Directors. If the Treasury Shares having been repurchased by the Company is for the purpose of the transfer to employees under the Applicable Listing Rules, such employees may undertake to

the Company to refrain from transferring such Shares during certain period with a maximum of two (2) years.

- 40E. Subject to the Applicable Listing Rules, the transfer of Treasury Shares to its employees by the Company at a price lower than the average price at which the Treasury Shares were actually repurchased by the Company shall be approved at the next general meeting by a resolution passed by at least two-thirds (2/3) of votes of Shareholders attending the meeting with a quorum of more than half of the total issued Shares. The following matters shall be listed in the reasons for convening this general meeting and in no event shall such matters be proposed at the general meeting as ad hoc motions:
- (a) transfer price determined, discount rate, calculation basis and fairness;
  - (b) number of Treasury Shares to be transferred, purpose and fairness;
  - (c) criteria of eligible employees and number of Treasury Shares that may be subscribed for; and
  - (d) impact on shareholders' rights: (i) the amount to be booked as expense of the Company and dilution of earnings per Share; and (ii) description of the Company's financial burden arising from the transfer of Treasury Shares to employees at a price lower than the average price at which the Treasury Shares were actually repurchased by the Company.

The accumulated number of Treasury Shares that have been transferred to employees as so approved at each general meetings shall not exceed five (5%) of the total issued Shares of the Company, and the accumulated number of Treasury Shares transferred to a single employee shall not exceed zero point five percent (0.5%) of the total issued Shares.

#### **CLOSING REGISTER OR FIXING RECORD DATE**

41. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period. For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE, the Register shall be closed at least for a period of sixty (60) days, thirty (30) days and five (5) days inclusive of the date of each annual general meeting, each extraordinary general meeting and the record date for a dividend distribution, respectively.
42. Apart from closing the Register, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a general meeting and for the purpose of determining those Members that are entitled to receive payment of any dividend. In the event the Directors designate a record date in accordance with this Article 42 in respect of convening a general meeting, such record date shall be a date prior to the general meeting and the Directors shall immediately make a public announcement on the website designated by the Commission and the Taipei Exchange or TSE pursuant to the Applicable Listing Rules.

#### **GENERAL MEETINGS**

43. All general meetings other than annual general meetings shall be called extraordinary general meetings.
44. The Board may, whenever they think fit, convene a general meeting of the Company; provided that the Company shall in each year hold a general meeting as its annual general meeting within six (6) months after close of each financial year and shall specify the meeting as such in the notices calling it.

45. At these meetings the report of the Directors (if any) shall be presented. For so long as the Shares are registered in the Emerging Market and/or listed in the Taipei Exchange or TSE, all general meetings shall be held in Taiwan, if a general meeting is to be convened outside Taiwan, the Company, within two (2) days after the Board adopts such resolution, or, in the event of an extraordinary general meeting convened pursuant to Article 46, the relevant Shareholders, shall apply for the approval of the Taipei Exchange or the TSE.
46. Extraordinary general meetings may also be convened by the Board on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company holding three percent (3%) or more of the total number of issued Shares of the Company for a period of one (1) consecutive year or a longer time deposited at the Office or the Shareholders' Service Agent specifying the objects of the meeting, and if the Board does not duly proceed to convene such meeting for a date not later than 15 days after the date of such deposit, for so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the requisitionists themselves may convene the extraordinary general meeting in the same manner as provided for under Article 48, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by the Company.
47. If at any time there are no Directors, any Shareholder or Shareholders holding three percent (3%) or more of the total number of the issued Shares of the Company for a period of one (1) consecutive year or a longer time may, for so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, convene a general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors.

### **NOTICE OF GENERAL MEETINGS**

48. At least twenty (20) and ten (10) days' notices in writing shall be given for any annual and extraordinary general meetings, respectively; provided however for so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, at least thirty (30) and fifteen (15) days' notices in writing shall be given for any annual and extraordinary general meetings, respectively. Notwithstanding the foregoing paragraph, as long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, for any annual and extraordinary general meetings, the written notice may be made by way of public announcement to the Shareholders holding less than 1,000 Shares.

Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business. The notice for a general meeting may be given by means of electronic communication if the Company obtains prior consent by the individual recipients.

- 48B. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the Company shall make public announcements with regard to notice of general meeting, proxy form, and summary information and details about issues for recognition, discussion, election or dismissal of Directors or supervisors (if any) at least thirty (30) days prior to any annual general meeting or at least fifteen (15) days prior to any extraordinary general meeting.

If the Company allows the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission in accordance with Article 67, the Company shall also send to the Shareholders the information and documents as described in the preceding paragraph, together with the voting right exercise forms.

49. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the Board shall prepare a manual setting out the agenda of a general meeting (including all the subjects and matters to be resolved at the meeting) and shall make public announcement(s) in a manner permitted by the Applicable Listing Rules to disclose the contents of such manual together with other information related to the said meeting at least

twenty-one (21) days prior to the date of annual general meetings and at least fifteen (15) days prior to the date of extraordinary general meetings. Such manual shall be distributed to all Shareholders attending the general meeting in person, by proxy or by corporate representative(s) (where the Shareholder is a corporation) at the general meeting.

50. The following matters shall be specified in the notice of a general meeting, and shall not be proposed as ad hoc motions:
- (a) election or discharge of Directors or supervisors (if any);
  - (b) amendments to the Memorandum of Association and/or these Articles;
  - (c) reduction in share capital of the Company;
  - (d) application for de-registration as a public company;
  - (e) dissolution, share swap (as defined in the Applicable Listing Rules), Merger or Spin-off of the Company;
  - (f) entering into, amendment to, or termination of any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others;
  - (g) the transfer of the whole or any material part of its business or assets;
  - (h) the takeover of another's whole business or assets, which will have a material effect on the business operation of the Company;
  - (i) the private placement of equity-linked securities;
  - (j) granting waiver to the Director's engaging in any business within the scope of business of the Company;
  - (k) distribution of part or all of its dividends or bonus by way of issuance of new Shares;
  - (l) capitalization of the Legal Reserves and Capital Reserves arising from the share premium account or endowment income, in whole or in part, by issuing new Shares which shall be distributable as dividend shares to the then Shareholders in proportion to the number of Shares being held by each of them;
  - (m) subject to the Law, distribution of the Legal Reserves and Capital Reserves arising from the share premium account or endowment income, in whole or in part, by paying cash to the then Shareholders in proportion to the number of Shares being held by each of them;
  - (n) the transfer of Treasury Shares to its employees by the Company;
  - (o) the Delisting;
  - (p) issuance of employee stock options with the exercise price lower than the closing price of the underlying Shares as of the issuing date; and
  - (q) issuance of restricted shares for employees.

Subject to the Law and these Articles, the Shareholders may propose matters in a general meeting to the extent of matters as described in the agenda of such meeting.

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

51. No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided by

these Articles, the holders of Shares being more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes.

52. One or more Shareholders holding in the aggregate of one percent (1%) or more of the total number of issued Shares immediately prior to the relevant book close period may propose in writing or by way of electronic transmission to the Company a matter for discussion at an annual general meeting. The Company shall give a public notice in such manner as permitted by the Applicable Listing Rules at such time deemed appropriate by the Board specifying the place and a period of not less than ten (10) days for Members to submit proposals. Any Shareholder(s) whose proposal has been submitted and accepted by the Board, shall continue to be entitled to attend the annual general meeting in person or by proxy or in the case of a corporation, by its authorised representative(s), and participate in the discussion of such proposal.

The Board shall accept a proposal submitted by one or more Shareholders and arrange for the proposal to be discussed at the annual general meeting unless (i) the number of Shares held by such one or more Shareholders is less than one percent (1%) in aggregate of the total number of issued Shares in the Register of Members as of the record date determined by the Board or upon commencement of the period for which the Register shall be closed before the general meeting; (ii) the proposal involves matters which cannot be resolved at the annual general meeting in accordance with or under the Law or Applicable Listing Rules; (iii) the proposal submitted concerns more than one matter; (iv) the proposal submitted exceeds three hundred words; or (v) the proposal is not submitted within the specified period determined by the Board; provided, however, that if the proposal submitted is to urge the Company to facilitate the public interest or perform social responsibility, the Board may accept that proposal and arrange for it being discussed at the annual general meeting; provided, further, that the Board shall reject such proposals concerning more than one matter. The Company shall, prior to the dispatch of a notice of the annual general meeting, inform the Shareholders the result of submission of proposals and list in the notice of annual general meeting the proposals accepted for consideration and approval at the annual general meeting. The Board shall explain at the annual general meeting the reasons for excluding proposals submitted by such Shareholder(s).

53. Subject to the Applicable Listing Rules, the Chairman, if any, of the Board of the Directors shall preside as chairman at every general meeting of the Company convened by the Board of Directors. In case the Chairman is on leave or absent or cannot exercise his/her power and authority for any cause, he/she shall designate one of the other Directors to act on his/her behalf. In the absence of such a designation, the Directors shall elect from among themselves a chairman for such meeting.
- 53A. Any one or more Shareholders holding in aggregate more than half of the total number of the issued Shares of the Company for at least three (3) consecutive months may convene an extraordinary general meeting. The determination of the afore-mentioned holding period and number of Shares shall be based on the Shares held immediately prior to the relevant book close period.
54. Subject to the Applicable Listing Rules, for a general meeting convened by any other person having the convening right, such person shall act as the chairman of that meeting; provided that if there are two (2) or more persons jointly having the convening right, the chairman of the meeting shall be elected from those persons.
- 54A. The Board of Directors or any person who is entitled to convene a general meeting pursuant to Article 53A above or under these Articles may demand the Company or its Shareholders' Service Agent to provide the Register of Members.
55. Subject to the Applicable Listing Rules, at any general meeting a resolution put to the vote of the meeting shall be decided on a poll. The number or proportion of the votes in favour of, or against, that resolution shall be recorded in the minutes of the meeting.

56. Unless otherwise expressly required by the Law or these Articles, any matter which has been presented for resolution, approval, confirmation or adoption by the Shareholders at any general meeting shall be passed by an Ordinary Resolution.
57. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote. Subject to these Articles and the Applicable Listing Rules, the Company shall additionally comply with the Procedural Rules of General Meetings.

### VOTES OF SHAREHOLDERS

58. Subject to these Articles and any rights and restrictions for the time being attached to any Share, every Shareholder and every Person representing a Shareholder by proxy shall have one (1) vote for each Share of which he or the Person represented by proxy is the holder. Subject to the Law and unless otherwise provided for in these Articles, any resolutions at a general meeting of the Company shall be adopted by an Ordinary Resolution.

For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, any Shareholder holding Shares on behalf of one or more Persons (each a **"Beneficial Owner"**) may exercise his/her voting rights severally in accordance with the request(s) of such Beneficial Owner. The qualifications, scopes, exercises, operational procedures and other matters in relation to the aforesaid separate exercise of voting rights shall be conducted in accordance with the Applicable Listing Rules.

59. No vote may be exercised by any Shareholder with respect to any of the following Shares:
  - (a) the Treasury Shares held by the Company in accordance with the Law, these Articles and the Applicable Listing Rules;
  - (b) the Shares held by any subordinate company of the Company as defined in the Applicable Listing Rules, where the total number of voting shares or total shares equity held by the Company in such a subordinated company represents more than one-half (1/2) of the total number of voting shares or the total shares equity of such a subordinated company; or
  - (c) the Shares held by another company, where the Company and its subordinated company directly or indirectly hold more than one-half (1/2) of the total number of the voting shares or total shares equity of such company.

Any votes cast by or on behalf of such Shareholder in contravention of the foregoing shall not be counted in the total number of issued shares while calculating the quorum for the purpose of Article 51.

60. In the case of joint holders, the joint holders shall select among them a representative for the exercise of their shareholder's rights and the vote of their representative who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.
61. A Shareholder 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, or other Person in the nature of a committee appointed by that court, and any such committee or other Person, guardian or any other Person who is similar to guardian and appointed by any court having jurisdiction, may vote by proxy.
62. A Shareholder may appoint a proxy to attend a general meeting on his behalf by executing an instrument in usual or common form or such other form as the Directors may approve, and such proxy form shall be prepared by the Company stating therein the scope of power authorized to the proxy. A Shareholder may only execute one (1) such proxy form and appoint one (1) proxy for each general meeting, and shall serve such written proxy to the Company no later than five (5) days prior to the meeting date. In case the Company receives two (2) or more written proxies from one (1) Shareholder, the first one arriving at the

Company shall prevail unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

- 62B. After a proxy is delivered to the Company, if the Shareholder issuing the proxy intends to attend the general meeting in person or exercise the voting rights in writing or by way of electronic transmission, the Shareholder shall issue a written notice to the Company to revoke the proxy at least two (2) days prior to the general meeting. If the revocation is not made during the prescribed period, the votes casted by the person as proxy shall prevail.
  
- 63. The instrument appointing a proxy shall be in the form approved by the Board and be expressed to be for a particular meeting only. The form of proxy shall include at least the following information: (a) instructions on how to complete such proxy, (b) the matters to be voted upon pursuant to such proxy, and (c) basic identification information relating to the relevant Shareholder, proxy recipient and proxy solicitation agent (if any). The form of proxy shall be provided to the Shareholders together with the relevant notice by mail or electronic transmission for the relevant general meeting. Notwithstanding any other provisions of these Articles, the distribution of the notice and proxy materials shall be made to all Shareholders and such distribution, regardless of delivering by email or by electronic transmission, shall be made on the same day.
  
- 64. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a Shareholder.
  
- 65. Except for Taiwan trust enterprises or Shareholders' Service Agencies approved by Taiwan competent authorities or the chairman appointed pursuant to Article 68, when a person who acts as the proxy for two (2) or more Shareholders concurrently, the number of votes represented by him shall not exceed three percent (3%) of the total number of votes of the Company and the portion of votes in excess of the said three percent (3%) represented by such proxy shall not be counted.
  
- 66. To the extent required by the Applicable Listing Rules, any Shareholder who bears a personal interest that may conflict with and impair the interest of the Company in respect of any matter proposed (the "**Proposed Matters**") for consideration and approval at a general meeting shall abstain from voting any of the Shares that such Shareholder should otherwise be entitled to vote in person, as a proxy or corporate representative with respect to the said matter, but all such Shares shall be counted in the quorum for the purpose of Article 51 notwithstanding that such Shareholder should not exercise his voting right. Any votes cast by or on behalf of such Shareholder in contravention of the foregoing shall not be counted in the number of votes of Shareholders present at the general meeting for the resolution relating to the Proposed Matters by the Company.
  
- 67. Unless otherwise provided in these Articles, the voting at the general meeting may be exercised in writing or by way of electronic transmission, provided, however, that the method for exercising the votes shall be described in the notice of the general meeting. If, however, the Shares are listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company must allow the voting at the general meeting be exercised by way of electronic transmission as one of the voting methods at the general meeting. If the Board resolves to hold a general meeting outside Taiwan, the Company must allow the Shareholders to exercise the votes and cast the votes in writing or by way of electronic transmission.
  
- 68. A Shareholder who exercises his votes in writing or by way of electronic transmission as set forth in the preceding article shall be deemed to have appointed the chairman of the general meeting as his or her proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document, but shall be deemed to have waived his votes in respective of any ad hoc motions and the amendments to the contents of the original proposals at such general meeting; provided, however, that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Listing Rules. The chairman, acting as proxy of a Shareholder, shall not exercise the voting right of such Shareholder in any way not stipulated in the written or electronic document.



For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE, where a general meeting is to be held outside Taiwan, the Company shall engage a designated institute (i.e., Shareholders' Service Agent located in Taiwan) approved by the Commission and the Taipei Exchange or the TSE to handle the administration of such general meeting (including but not limited to the voting for Shareholders of the Company).

69. A Shareholder shall submit his or her vote by way of written ballot or electronic transmission pursuant to Article 67 to the Company at least two (2) days prior to the scheduled meeting date of the general meeting; whereas if two (2) or more such written ballot or electronic transmission are submitted to the Company, the proxy deemed to be given to the chairman of the general meeting pursuant to Article 68 by the first written ballot or electronic transmission shall prevail unless it is expressly included in the subsequent vote by written ballot or electronic transmission that the original vote submitted by written ballot or electronic transmission be revoked.
70. In case a Shareholder who has submitted his votes by written ballot or electronic transmission intends to attend the general meeting in person, he shall, at least two (2) days prior to the date of the meeting revoke such vote by written ballot or electronic transmission and such revocation shall constitute a revocation of the proxy deemed to be given to the chairman of the general meeting pursuant to Article 68. If a Shareholder who has submitted his or her vote in writing or by way of electronic transmission pursuant to Article 67 does not submit such a revocation before the prescribed time, his or her vote by written ballot or electronic transmission and the proxy deemed to be given to the chairman of the general meeting pursuant to Article 68 shall prevail.

If a Shareholder has submitted his or her vote in writing or by way of electronic transmission pursuant to Article 67, and has subsequently submitted a proxy appointing a person as his or her proxy to attend the general meeting on his or her behalf, the subsequent appointment of that person as his or her proxy shall be deemed to be a revocation of such Shareholder's deemed appointment of the chairman of the general meeting as his or her proxy pursuant to Article 68 and the vote casted by that person subsequently appointed as his or her proxy shall prevail.

71. In case the procedure for convening a general meeting or the method of adopting resolutions is in violation of the Law, Applicable Listing Rules or these Articles, a Shareholder may, within thirty (30) days from the date of the resolution, submit a petition to a competent court having proper jurisdiction, including, the Taipei District Court of the Republic of China if applicable, for revocation of such resolution.

### **PROXY AND PROXY SOLICITATION**

72. For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or the TSE, the Company shall comply with the Applicable Listing Rules (including but not limited to the "Guidelines Governing the Utilization of Proxy for Shareholders Meetings of Public Companies") in respect of the proxies and proxy solicitation.

### **CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS**

73. Any corporation which is a Shareholder or a Director 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 of any meeting of holders of a Class or of the Board of Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder or Director.

### **DIRECTORS**

74. Unless otherwise determined by the Company in general meeting, the number of Directors shall be no less than five (5) Directors with a maximum of nine (9) Directors. Amongst the Board of Directors, the Company shall have at least three (3) Independent Directors, and the Independent Directors shall account for at least one-fifth (1/5) of the total number of Directors.

At least one (1) of the Independent Directors must be domiciled in Taiwan. For so long as the Shares are listed on the Taipei Exchange or the TSE, the Directors shall include such number of Independent Directors as applicable law, rules or regulations or the Applicable Listing Rules require for a foreign issuer. The qualification, formation, appointment, discharge, exercise of authority and other compliance of Directors and Independent Directors shall be subject to and governed by the Applicable Listing Rules.

Where any Shareholder is a corporate entity, its representative may be elected as Director or supervisor (if any). Where there are several representatives of any corporate Shareholder, such representatives may be elected as either Directors or supervisors (if any) but not as Director and supervisors (if any) concurrently.

75. Independent Directors shall possess professional knowledge and maintain independence within the scope of their directorial duties without having any direct or indirect interest in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence of Independent Directors, method of nomination of Independent Directors, and other matters in relation to Independent Directors shall be subject to the Applicable Listing Rules.

When the number of Independent Directors falls below the required number of Independent Directors under these Articles or the Applicable Listing Rules due to the disqualification or resignation 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 disqualified, resigned or cease to be Directors for any reason, an extraordinary general meeting shall be convened within sixty (60) days of the occurrence of that fact to elect Independent Directors.

76. Unless otherwise permitted by the Commission or TSE and under the Applicable Listing Rules, 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 Directors (the "**Threshold**").

Where the Directors elected at the general meeting do not meet the Threshold, the election of the Director receiving the lowest number of votes among those not meeting the Threshold shall be deemed null and void. If any of the existing Directors does not meet the Threshold, such Director in office shall be discharged immediately and automatically.

77. When the number of Directors falls below five (5) due to the disqualification or resignation of a Director or any Director ceases to be a Director of the Company for any reason, the Company shall hold an election to elect substitute director(s) at the next following general meeting. When the number of Directors falls short by one-third (1/3) of total number of Directors elected at the previous general meeting convened to elect Directors and notwithstanding the actual current number of Directors, an extraordinary general meeting shall be convened within sixty (60) days of the occurrence of that fact to hold an election of Directors.

If all Directors are re-elected at a general meeting held prior to the expiration of the term of the current Directors (the "**Re-Election**"), unless otherwise resolved at such general meeting, the term of the existing Directors shall be deemed to have expired immediately prior to the Re-Election. The aforesaid re-election of all Directors shall be held in the general meeting attended by Shareholders representing more than fifty percent (50%) of total issued Shares of the Company.

78. The general meeting of the Shareholders may appoint any natural person or corporation to be a Director or supervisors (if any). At a general meeting of election of Directors or supervisors (if any), the number of votes exercisable in respect of one (1) Share shall be the same as the number of Directors or supervisors (if any) to be elected, and the total number of votes per Share may be consolidated for election of one (1) candidate or may be split for election of two (2) or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a Director or supervisor (if any) so elected.

79. For so long as the Shares are registered in Emerging Market or listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company shall adopt a candidate

nomination mechanism for the purpose of the appointment and election of Directors (including the Independent Directors) or supervisors (if any) in accordance with the Applicable Listing Rules and, for the avoidance of doubts, (i) the Directors (excluding the Independent Directors) or supervisors (if any) shall only be elected and approved by the Shareholders from the list of candidates for Directors (excluding the Independent Directors) and supervisors (if any); and (ii) the Independent Directors shall only be elected and approved by the Shareholders from the list of candidates for Independent Directors.

Subject to these Articles and the Applicable Listing Rules, the Company shall additionally comply with the Guidelines Governing Election of Directors.

80. Subject to these Articles, the term for which a Director and supervisor (if any) will hold office shall not exceed three (3) years; thereafter he/she may be eligible for re-election. In case no election of new Directors or supervisors (if any) is effected after expiration of the term of office of the existing Directors or supervisors (if any), the term of office of such Directors or supervisors (if any) shall be extended until the time new Directors or supervisors (if any) are elected and assume their office.
81. A Director may be discharged at any time by either a Supermajority Resolution Type A or a Supermajority Resolution Type B adopted at a general meeting. If a Director is discharged during the term of his/her office as a director without good cause, such Director may make a claim against the Company for any and all damages sustained by him/her as a result of such discharge.
82. The Board of Directors shall have a Chairman (the “**Chairman**”) elected and appointed by a majority of the Directors present at the Board meeting the quorum of which shall be two-thirds of all of the Directors then in office.
- 82B. For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE, subject to the Applicable Listing Rules, any Director (other than the Independent Director) or supervisor (if any), who, during his or her term and in one or more transactions, transfers more than fifty percent (50%) of the total Shares 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) being approved at a general meeting (the “**Approval Time**”), shall be discharged or vacated from the office of Director or supervisor (as the case may be).

For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE, subject to the Applicable Listing Rules, if any person transfers, in one or more transactions, 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 (other than as an 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 or supervisor (if any) will be proposed, his or her appointment or election as Director or supervisor (if any) shall be null and void.

83. The Board may, from time to time, and except as required by the applicable laws and Applicable Listing Rules, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.
84. A Director shall not be required to hold any Shares in the Company by way of qualification. Any Independent Directors refrain from trading any securities of the Company.
- 84B. For so long as the Shares are registered in the Emerging Market or listed in the Taipei Exchange or TSE, subject to the Applicable Listing Rules, where any Director, who is also a Shareholder of the Company, creates or has created a pledge on the Shares held by such Director (the “**Pledged Shares**”) exceeding fifty percent (50%) of total Shares held by such Director at the time of his/her appointment as Director being approved at a general meeting,

such Director shall refrain from exercising its voting rights on the Shares representing the difference between the Pledged Shares and fifty percent (50%) of total Shares held by such Director at the time of his/her appointment as Director being approved at a general meeting, and such Shares shall not be counted toward the number of votes represented by the Shareholders present at a general meeting.

#### **DIRECTORS' FEES AND EXPENSES**

85. Unless otherwise stipulated in these Articles or the Applicable Listing Rules, the remuneration (if any) of the Directors is subject to resolution by the Board of Directors in accordance with the standard prevalent in the industry. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.
86. Subject to Article 85, any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.
- 86B. The Company shall establish a salaries and remuneration committee, and the professional qualifications of members, formation, appointment, discharge, how such committee functions and exercises its power and other relevant matters shall be subject to the Applicable Listing Rules. The salaries and remunerations in the preceding paragraph include the salaries and remunerations and stock options and other measures providing substantial incentives for Directors and managers.

#### **ALTERNATE**

87. Subject to the Applicable Listing Rules, any Director may appoint another Director to be his or her alternate and to act in such Director's place at any Board meeting. Every such alternate Director shall be entitled to attend and vote at the Board meeting as the alternate of the Director appointing him or her and where he or she is a Director to have a separate vote in addition to his or her own vote.
88. Subject to the Applicable Listing Rules, the appointment of the alternate Director referred in the preceding article shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such appointment is to be used, or first used, prior to the commencement of the Board meeting.

#### **POWERS AND DUTIES OF DIRECTORS**

89. At the close of each financial year, the Board of Directors shall prepare the business report, financial statements and the surplus earning distribution and/or loss offsetting proposals for adoption by the annual general meeting, and upon such adoption by the annual general meeting, distribute or make public announcements to each Shareholder copies of adopted financial statements and the resolutions on the surplus earning distribution and/or loss offsetting in accordance with these Articles and the Applicable Listing Rules. For so long as the Shares are registered in the Emerging Stock Market or listed in the Taipei Exchange or the TSE, alternatively, the distribution of the aforesaid adopted financial statements and the resolutions on the surplus earning distribution and/or loss offsetting may be accomplished by way of making public announcements by the Company.
90. Subject to the Law, these Articles, Applicable Listing Rules and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company.

91. The Directors may from time to time appoint any Person (exclusive of any Independent Directors), whether or not such Person is a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of the chief executive officer, president, one (1) or more vice-presidents or chief financial officer, and 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), and with such powers and duties as the Directors may think fit. Notwithstanding the foregoing, if any Directors hold either of the above positions, the relevant remuneration shall be subject to Article 85. Any Person so appointed by the Directors may be removed by the Directors.
92. The Directors may appoint a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors.
93. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
94. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (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 power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.
95. 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 two next following Articles shall not limit the general powers conferred by this Article.
96. The Directors from time to time and at any time may establish any committees for managing any of the affairs of the Company (including but not limited to remuneration committee), and unless otherwise provided in the Applicable Listing Rules, the members of such committees shall be Directors. Where any Director holds above position, the relevant remuneration shall be subject to Article 85.
97. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.
- 97B Subject to the Cayman Islands law and the Applicable Listing Rules, any Director shall owe fiduciary duties to the Company and such fiduciary obligations shall include but not limited to the observance of general standards of loyalty, good faith and the avoidance of a conflict of duty and self-interest. If any Director breaches the aforesaid fiduciary duties, subject to the Cayman Islands law and the Applicable Listing Rules, such Director shall be held liable for any damages therefrom.

Subject to the Cayman Islands law and the Applicable Listing Rules, if any Director violates the aforesaid fiduciary duties for him/herself or another person, it may be resolved at the general meeting to deem any income from such behaviour as the Company's income.

If any Director breaches any applicable laws or regulations in performing business for the Company, therefore causing any loss or damage to third party, subject to the Cayman Islands law and the Applicable Listing Rules, such Director shall be held jointly and severally liable for the loss or damage to such third party with the Company. In this connection, such Director shall indemnify the Company for any loss or damage incurred by the Company to third party.

Subject to Cayman Islands law and the Applicable Listing Rules, to the extent of the scope of their respective duties, the officers and the supervisors (if any) of the Company shall bear the

liability identical to that applicable to Directors pursuant to the preceding paragraphs of this Article.

### **BORROWING POWERS OF DIRECTORS**

98. Subject to these Articles and the Applicable Listing Rules, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking and property, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

### **THE SEAL**

99. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one (1) or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
100. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal.
101. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

### **DISQUALIFICATION OF DIRECTORS**

102. A person shall not act as a Director and shall be discharged or vacated from the office of Director, if he or she:
- (a) committed an organized crime and has been adjudicated guilty by a final judgment, and he has not served the term of the sentence yet, he has not served the full term of the sentence, or the time elapsed after he has served the full term of the sentence, his term of probation has expired or he has been pardoned is less than five (5) years;
  - (b) has been sentenced to imprisonment for a term of more than one (1) year for commitment of fraud, breach of trust or misappropriation, and he has not served the term of the sentence yet, he has not served the full term of the sentence, or the time elapsed after he has served the full term of such sentence, his term of probation has expired or he has been pardoned is less than two (2) years;
  - (c) has been adjudicated guilty by a final judgment for violating anti-corruption law, and he has not served the term of the sentence yet, he has not served the full term of the sentence, or the time elapsed after he has served the full term of such sentence, his term of probation has expired or he has been pardoned is less than two (2) years;
  - (d) becomes bankrupt or enters into liquidation process by a court order and has not been discharged from bankruptcy or liquidation;
  - (e) has been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
  - (f) has no or only limited legal capacity;

- (g) dies or is found to be or becomes of unsound mind;
  - (h) resigns his office by notice in writing to the Company;
  - (i) becomes subject to the order of commencement of assistance due to incapacity pursuant to relevant Taiwan law and the order has not been revoked; or
  - (j) is removed from office and ceases to be the Director pursuant to these Articles.
103. In case a Director has, in the course of performing his/her duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and regulations and these Articles, but not been discharged or removed by a resolution of the general meeting, any Shareholder(s) holding three percent (3%) or more of the total number of issued Shares may, within thirty (30) days after that general meeting, submit a petition to a competent court having proper jurisdiction, including, the Taipei District Court of the Republic of China if applicable, in respect of such matter, for the removal of such Director, at the Company's expense.

### PROCEEDINGS OF DIRECTORS

104. The Directors may meet together (either within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes present at such meeting. In case of an equality of votes the chairman shall not have a second or casting vote. The notice of the Board meeting shall state the reasons for such meeting and shall be given to each Director at least seven (7) days prior to the meeting via mail or electronic transmission; however the Board meeting may be convened from time to time in case of any emergency in accordance with the Applicable Listing Rules. Subject to these Articles and the Applicable Listing Rules, the Company shall additionally comply with the Procedural Rules of Board Meetings.
105. A Director may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director is a member, by means of videoconference or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
106. Unless otherwise provided in these Articles, the quorum necessary for the transaction of the business of the Directors shall be more than one-half (1/2) of the Directors. A Director represented by alternate Director at any Board meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
107. A Director who directly or indirectly has personal interest in the matter proposed at the meeting of the Board, including but not limited to a contract or proposed contract or arrangement with the Company shall disclose the nature of his or her personal interest at the meeting of the Board, if he or she knows his or her personal interest then exists, or in any other case at the first meeting of the Board after he or she knows that he or she is or has become so interested. For the purposes of this Article, a general notice to the Board by a Director to the effect that:
- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or
  - (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient disclosure of personal interest under this Article in relation to any such contract or arrangement, provided that no such notice shall be effective unless

either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

To the extent required by Applicable Listing Rules, a Director may not vote for himself or on behalf of other Director in respect to any matter, including but not limited to any contract or proposed contract or arrangement or contemplated transaction of the Company, in which such Director bears a personal interest (whether directly or indirectly) which may conflict with and impair the interest of the Company. Any votes cast by or on behalf of such Director in contravention of the foregoing shall not be counted by the Company, but such Director shall be counted in the quorum for purposes of convening such meeting.

Notwithstanding the first paragraph of this Article, if any Director has personal interest (whether directly or indirectly) in matters on agenda for the Board meeting, such Director shall disclose and explain the material information or contents on such personal interest at the same Board meeting; before the Company adopts any resolution of Merger, Acquisition, Spin-off or share swap, a Director who has a personal interest in the transaction of Merger, Acquisition, Spin-off or share swap shall declare such interest to the Board at the Board meeting and to the shareholders at the general meeting the essential contents of such personal interest and the reasons that the relevant resolution shall be approved or dissented.

In the case that a Director's spouse, a blood relative within second degree of kinship or a company which has parent-subsidiary relationship with the Director has personal interest in a matter on agenda for the Board meeting, such Director shall be deemed to have personal interest in that matter.

108. A Director (exclusive of any Independent Directors) who does anything for himself or on behalf of another person that is within the scope of the Company's business shall declare the essential contents of such behaviour to the general meeting of the Shareholders and be approved by either a Supermajority Resolution Type A or a Supermajority Resolution Type B. Failure in obtaining such approval shall cause the Director being so interested be liable to account to the Company for any profit realised by any such behaviour if the general meeting so resolves by an Ordinary Resolution within one (1) year from such behaviour.
109. Notwithstanding the preceding Articles, subject to the Applicable Listing Rules, a Director (exclusive of any Independent Directors) may hold any other office or place of profit under the Company (other than the office of internal auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.
110. Subject to these Articles and the Applicable Listing Rules, any Director (exclusive of any Independent Directors) may act by himself or his firm in a 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; provided that nothing herein contained shall authorise a Director or his firm to act as internal auditor to the Company.
111. The Directors shall cause all minutes to be made in books or loose-leaf folders provided for the purpose of recording:
  - (a) all appointments of officers made by the Directors;
  - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
  - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.



112. Subject to the Applicable Listing Rules, when the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held.
113. Subject to the Applicable Listing Rules, the continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for summoning a general meeting of the Company, but for no other purpose.
114. Subject to the Applicable Listing Rules and any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one (1) of their number to be chairman of the meeting.
115. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to the Applicable Listing Rules and any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present.
116. Subject to the Applicable Listing Rules and any regulations imposed on it by the Directors, all acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Person had been duly appointed and was qualified to be a Director.
117. The following actions require the approval of a majority of the votes of the Directors present at a Board meeting attended by at least two-thirds (2/3) of all Directors:
  - (a) entering into, amendment to, or termination of any contract for lease of its business in whole, or for entrusted business, or for regular joint operation with others;
  - (b) the sale or transfer of the whole or any material part of its business or assets;
  - (c) taking over the transfer of another's whole business or assets, which will have a material effect on the business operation of the Company;
  - (d) the election of Chairman of the Board pursuant to these Articles;
  - (e) the distribution of part or all of the dividends or bonus of the Company by way of cash pursuant to Article 125A;
  - (f) the allocation of Employees' Remunerations and Directors' Remunerations pursuant to Article 129; and
  - (g) issuance of corporate bonds.

### **AUDIT COMMITTEE**

118. The Company shall set up an Audit Committee, and the professional qualifications of members, formation, appointment, discharge, how such committee functions and exercises its power and other relevant matters shall be subject to the Applicable Listing Rules. The Audit Committee shall comprise solely of all Independent Directors and the number of committee members shall not be less than three (3). One (1) 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 (1) 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.

119. Notwithstanding anything provided to the contrary contained in these Articles, the following matters require approval of one-half (1/2) or more of all members 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, provision or 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 relating to material assets or derivatives;
  - (f) a material monetary loan, endorsement, or provision of guarantee;
  - (g) the offering, issuance, or private placement of the Shares or 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 officers;
  - (j) approval of annual financial reports which are signed or sealed by the chairman, managerial officer, and accounting officer and second-quarter financial reports that must be audited and attested by certified public accountants; and
  - (k) any other material matter deemed necessary by the Board of Directors or so required by Applicable Listing Rules or the competent authority.

Subject to the Applicable Listing Rules, with the exception of item (j) above, any other matter that has not been approved with the consent of one-half (1/2) or more of all Audit Committee members may be undertaken upon the consent of two-thirds (2/3) or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.

Subject to the Applicable Listing Rules, where the Audit Committee is unable to convene a meeting for any proper cause, matters may be approved by consent of two-thirds (2/3) or more of all Directors, provided that the Independent Director members shall still be required to issue an opinion as to whether the resolution is approved in respect of a matter under item (j) above.

- 119A. Before the Company holds a meeting of the Board of Directors to adopt any resolution of Merger, Acquisition, Spin-off or share swap, the Audit Committee shall seek opinion from an independent expert in order to review the fairness and reasonableness of the plan and transaction of the Merger, Acquisition, Spin-off or share swap, including but not limited to the justification of share swap ratio or a distribution by cash or otherwise, and the review result shall be submitted to the Board of Directors and Shareholders in the general meeting (provided, however, that if the Law does not require the Shareholders' approval on the said transactions, the expert opinion and review result do not have to be submitted to the general meeting); and the review result and the expert opinion shall be provided to the Shareholders together with the notice of general meeting. If the Law does not require the Shareholders' approval on the said transactions, the Board of Directors shall report the transactions in the general meeting following the transactions.

For the documents to be given to the Shareholders in the preceding paragraph, if the Company announces the same content as in those documents on a website designated by the Taiwan competent authorities and those documents are prepared at the venue of the

general meeting for Shareholders' review, those documents shall be deemed as having been given to Shareholders.

120. The accounts of the Company shall be audited at least once in every year.
121. The Audit Committee shall at all reasonable times have access to and may make copies of all books, all accounts and vouchers and documents kept by the Company; and the Audit Committee 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.
122. 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 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.
123. Subject to the Cayman Islands law, any Shareholder(s) holding one percent (1%) or more of the total number of the issued Shares of the Company for six (6) consecutive months or longer may request in writing any Independent Director of the Audit Committee to file a litigation against any Director or Directors on behalf of the Company with a competent court having proper jurisdiction, including Taipei District Court of the Republic of China.  
  
If the Independent Director of the Audit Committee who has been requested by such Shareholder(s) in accordance with the previous paragraph fails or refuses to file such litigation within thirty (30) days after receiving the request by such Shareholder(s), subject to Cayman Islands law, such Shareholder(s) may file such litigation on behalf of the Company with a competent court having proper jurisdiction, including Taipei District Court of the Republic of China.
- 123A. Other than that the Board of Directors is unwilling or unable to convene a general meeting, an Independent Director of the Audit Committee may convene a general meeting for the interest of the Company when necessary.
124. Subject to these Articles and the Applicable Listing Rules, the Company shall additionally comply with the Rules of Audit Committee.

## DIVIDENDS

125. Subject to the Law, any rights and restrictions for the time being attached to any Shares and these Articles, the Company by Ordinary Resolution may declare dividends and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
- 125A. Notwithstanding the preceding Article (125), the Directors may distribute part or all of the dividends or bonus by way of cash with the approval of a majority of the votes of the Directors present at a Board meeting attended by at least two-thirds (2/3) of all Directors, and report the aforementioned distribution to the Shareholders at the next general meeting.
126. Subject to Article 129, the Directors may, before recommending any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the discretion of the Directors be applicable for meeting contingencies,

or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.

127. Any dividend may be paid by cheque sent through the post to the registered address of the Shareholder or Person entitled thereto, or in the case of joint holders, to the representative of such joint holders at his registered address or to such Person and such address as the Shareholder or Person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the Person to whom it is sent or to the order of such other Person as the Shareholder or Person entitled, or such joint holders as the case may be, may direct.
128. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the number of the Shares held by the Shareholders.
129. As the Company continues to grow, the need for capital expenditure, business expansion and a sound financial planning for sustainable development, it is the Company's dividends policy that the dividends may be allocated to the Shareholders in the form of cash dividends and/or bonus shares according to the Company's future expenditure budgets and funding needs.

Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate (1) a maximum of ten percent (10%) and a minimum of 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) a maximum of 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 of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations. Subject to Cayman Islands law, the Applicable Listing Rules and notwithstanding Article 139, the Employees' Remunerations and the Directors' Remunerations may be distributed in the form of cash and/or bonus shares, 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. The resolutions of Board of Directors regarding the distribution of the Employees' Remunerations and the Directors' Remunerations in the preceding paragraph shall be reported to the Shareholders at the general meeting after such Board resolutions are passed.

Unless otherwise provided in the Applicable Listing Rules, the net profits 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:

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) to set off accumulated losses of previous years (if any);
- (c) to set aside ten percent (10%) as Legal Reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such Legal Reserve equals to the total paid-up capital of the Company;
- (d) to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- (e) 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 pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of

dividends shall be at least fifty percent (50%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to Shareholders.

130. If several Persons are registered as joint holders of any Share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the Share. No dividend shall bear interest against the Company.

### **ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION**

131. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
132. The books of account shall be kept at the Office or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
133. The Board of Directors shall prepare and submit the business reports, financial statements and records to the annual general meeting of Shareholders for its ratification and after the meeting shall distribute to each Shareholder the copies of ratified financial statements and the resolutions on the surplus earning distribution and/or loss offsetting. For so long as the Shares are registered in the Emerging Stock Market or listed in the Taipei Exchange or the TSE, alternatively, the distribution of the aforesaid adopted financial statements and the resolutions on the surplus earning distribution and/or loss offsetting may be accomplished by way of making public announcements by the Company.
134. Subject to the Applicable Listing Rules, the Board shall keep copies of the yearly business report, financial statements and other relevant documents at the office of its Shareholders' Service Agent in Taiwan ten (10) days before the annual general meeting and any of its Shareholders is entitled to inspect such documents from time to time.
135. Save for the preceding Article 134 and Article 148, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
136. The accounts relating to the Company's affairs shall only be audited in such manner and with such financial year end as may be determined from time to time by the Directors, or required by the Applicable Listing Rules.
137. The Directors in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

### **INTERNAL AUDIT**

138. The Company shall set up internal audit unit under the Board of Directors, and hire qualified and adequate staffs as internal auditors. Any matters in relation to the internal audit shall comply with the Applicable Listing Rules.

### **CAPITALISATION OF RESERVES**

139. Subject to the Applicable Listing Rules and the Law, the Company may, with the authority of either a Supermajority Resolution Type A or a Supermajority Resolution Type B:
- (a) resolve to capitalise an amount standing to the credit of reserves or other capital reserves (including a share premium account, capital redemption reserve, revenue,

profit and loss account, Capital Reserves, Legal Reserves and Special Reserves), whether or not available for distribution;

- (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the number of Shares held by them respectively and apply that sum on their behalf in or towards paying up in full unissued Shares or debentures of a nominal amount equal to that sum, and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other;
  - (c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit; and
  - (d) generally do all acts and things required to give effect to any of the actions contemplated by these Articles.
- 139A. For the avoidance of doubts, the allotment of bonus shares in connection with the Employees' Remunerations and Directors' Remunerations pursuant to Article 129 shall not require the approval of a Supermajority Resolution Type A or a Supermajority Resolution Type B..

#### **PUBLIC TENDER OFFER**

140. For so long as the Shares of the Company are registered in the Emerging Market and/or listed in the Taipei Exchange or TSE, any public tender offer of the Shares of the Company shall be subject to the Applicable Listing Rules, including but not limited to the "Regulations Governing the Public Tender Offer of Shares of Public Companies".

#### **SHARE PREMIUM ACCOUNT**

141. The Directors shall in accordance with the Law establish a 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.
142. Subject to the Applicable Listing Rules and the Law, there shall be debited to any share premium account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Law, out of capital.

#### **NOTICES**

143. Except as otherwise provided in these Articles or the Applicable Listing Rules, any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by facsimile, or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to such Shareholder at his address as appearing in the Register, or to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic mail number or address such Shareholder may have positively confirmed in writing for the purpose of such service of notices. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands as their representative in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
144. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

145. Except as otherwise provided in these Articles or the Applicable Listing Rules, any notice or other document, if served by:
- (a) post or courier, shall be deemed to have been served five (5) days after the time when the letter containing the same is posted or delivered to the courier;
  - (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
  - (c) recognised courier service, shall be deemed to have been served forty-eight (48) hours after the time when the letter containing the same is delivered to the courier service; or
  - (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.

In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

146. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in accordance with these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.
147. Notice of every general meeting of the Company shall be given to:
- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
  - (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

#### **INFORMATION**

148. The Board shall keep at the office of its Shareholders' Service Agent in Taiwan copies of the Memorandum of Association and Articles of Association, the minutes of every general meeting, the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder may request, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect and to make copies of the foresaid Memorandum of Association and Articles of Association, the minutes of every general meeting, the financial statements, the Register of Members and the counterfoil of the corporate bonds issued by the Company. The Company shall cause its Shareholders' Service Agent to provide the aforesaid documents.
149. Without prejudice to the rights set forth in these Articles, no Shareholder shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.

150. The Board shall be entitled to release or disclose to any regulatory or judicial authority any information in its possession, custody or control regarding the Company or its affairs to any of its Shareholder including, without limitation, information contained in the Register of Members and transfer books of the Company.

#### INDEMNITY OR INSURANCE

151. The Company may by Ordinary Resolution adopt one (1) of the protection mechanisms as described in Article 152 (a) and (b).
152. (a) Every Director and other officer for the time being and from time to time of the Company (each an "**Indemnified Person**") may be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.
- (b) The Company may purchase directors and officers liability insurance ("**D&O insurance**") for the benefit of every Director and other officer for the time being and from time to time of the Company. Such D&O insurance shall only cover the liability arising from the duty of such Director or officer in accordance with these Articles, the Law and the Applicable Listing Rules.

#### FINANCIAL YEAR

153. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

#### WINDING- UP

154. If the Company shall be wound up, and the assets available for distribution amongst the Shareholders shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Shareholders in proportion to the number of the Shares held by them at the commencement of the winding up. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.
155. If the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Law and in compliance with the Applicable Listing Rules, divide amongst the Shareholders 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 Shareholders or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction shall think fit, but so that no Shareholder shall be compelled to accept any asset whereon there is any liability.
156. The Company shall keep all statements, records of account and documents for a period of ten years from the date of the completion of liquidation, and the custodian thereof shall be appointed by the liquidator or the Company by Ordinary Resolution.



#### **AMENDMENT OF ARTICLES OF ASSOCIATION**

157. Subject to the Law and the Articles, the Company may at any time and from time to time by Special Resolution alter or amend the Memorandum of Association and/or these Articles in whole or in part.

#### **LITIGIOUS AND NON-LITIGIOUS AGENT**

158. For so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, subject to the Applicable Listing Rules, the Company shall appoint a litigious and non-litigious agent in Taiwan (the "**Litigious and Non-Litigious Agent**"). The Litigious and Non-Litigious Agent shall be the responsible person of the Company in Taiwan and shall have residence or domicile in Taiwan. The Company shall report to the Commission in respect of the name, residence or domicile and authorization document of the Litigious and Non-Litigious Agent. In case of any change of the name, residence or domicile and authorization document of the Litigious and Non-Litigious Agent, the Company shall report to the Commission in respect of such change.

#### **CORPORATE SOCIAL RESPONSIBILITY**

159. For the purpose of performing corporate social responsibility, the Company shall follow the applicable laws, regulations and business ethics in operating its businesses and may conduct practices to facilitate public interests.

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**Article 1      Legal Basis**

Unless otherwise provided in the Applicable Listing Rules and the Law, the general meetings of the Company shall be held in accordance with the Rules.

Unless otherwise defined in the Rules, any capital letters as used in the Rules shall have the same meanings as defined in the Articles of Association of the Company (as amended or substituted from time to time; hereinafter "**Articles**").

**Article 1-1      Convening and Notice of General Meetings**

Unless otherwise provided in the Applicable Listing Rules and the Law, the general meetings of the Company shall be convened by the Board of Directors.

The Company shall prepare the notice of general meetings, the proxy form, and the information relating to the subject and description of proposals for recognition and for discussion, election and/or dismissal of Directors and supervisors in the form of electronic file to be uploaded to the Market Observation Post System thirty (30) days before annual general meetings or fifteen (15) days before extraordinary general meetings. The meeting agenda for general meetings and supplemental meeting information shall be prepared in the form of electronic file to be uploaded to the Market Observation Post System twenty (21) days before annual general meetings or fifteen (15) days before extraordinary general meetings. The meeting agenda for general meetings and supplemental meeting information shall be ready for Shareholders' review at all time by fifteen (15) days before general meetings, and such information shall be available at the Company and professional stock agent appointed by the Company and be distributed at general meetings.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. The meeting notice may be given in electronic form after a prior consent from the recipient(s) thereof is obtained.

Election or dismissal of Directors or supervisors, amendments to the Articles of Association of the Company, reduction of capital, application for the approval of ceasing the Company's status as a public company, approval to lift the non-competition restriction on the Company's Directors, surplus profit to be distributed in the form of new shares, reserve to be distributed in the form of new shares, the dissolution, merger, or demerger of the Company, any matter under Article 185, paragraph 1 of the Company Act, or any matter under Articles 26-1 or 43-6 of the Securities and Exchange Act, or Articles 56-1 or 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out

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and the essential contents shall be explained in the notice of the reasons for convening the shareholders meeting . None of the above matters may be raised by an extraordinary motion; the essential contents may be posted on the website designated by the competent authority in charge of securities matters or by the Company, and such website shall be indicated in the above notice.

When re-election of all the Directors is set out in the reasons for convening the shareholders meeting and the date of assuming the office is specified, such date of assuming the office may not be changed by an extraordinary motion or other means in the same meeting after the re-election is completed at the shareholders' meeting.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Company a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda, provided that a proposal proposed by shareholder to urge the Company to promote public interests or fulfill its social responsibilities may still be included in the meeting agenda by the Board of Directors; provide, however, that the Board shall reject proposals concerning more than one matter. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before the meeting date of a regular shareholders meeting, this Company shall publicly announce that it will accept shareholder proposals in writing or by way of electronic transmission and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder submitting the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date of delivering the notice of a shareholders meeting, this Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

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**Article 1-2      Proxy and authorization**

For each general meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company no later than five (5) days prior to the date of the general meeting. When multiple proxy forms are delivered, the one received the earliest shall prevail unless a declaration was made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company no later than two (2) business days prior to the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

**Article 2      Attendance and Sign-in**

The Company shall include the information about the time slot when shareholders may report to the meeting the reporting location, and other important messages in the notice of general meetings.

The time slot when shareholders may report to the meeting in the preceding paragraph shall begin no later than thirty minutes before the meeting. The reporting location shall be clearly identified and there should an adequate number of staff assigned for the matter.

Shareholders or their appointed proxies ("the Shareholders") shall attend a Shareholders' meeting by presenting an attendance ID, sign-in card or other attendance identification. The Company shall not request any additional attendance identification randomly. A proxy solicitor shall bring his/her ID for verification.

The Company shall provide a sign-in book allowing attending Shareholders or their appointed proxies to sign in or require attending Shareholders to submit attendance cards in lieu of signing in.

The Company shall deliver the meeting agenda, annual report, attendance ID, summary of speech form, voting ballot and other meeting information to Shareholders who attend a Shareholder's meeting. In case of election of directors(s) and/or supervisor(s), the election ballot shall also be provided. Unless otherwise regulated in the Applicable Listing Rules or the Law, corporate Shareholders' attendance of a general meeting shall be in accordance with the Articles.

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**Article 3      Calculation of Attending Shares**

The number of Shares represented by Shareholders attending the general meeting shall be calculated in accordance with the sign-in book or the number of attendance cards submitted by Shareholders.

**Article 4      Venue and Time of General Meetings**

According to the Articles and the Applicable Listing Rules, all general meetings shall be convened at such venues convenient for Shareholders' attendance and suitable for convention, and shall not begin earlier than 9:00 a.m. or later than 3:00 p.m.

**Article 5      Identification of Appointed Professionals and Other Relevant Persons Who May Be Present**

The Company may appoint its lawyer(s), accountant(s) or other relevant person(s) to be present at a general meeting. All supporting staff for the general meeting shall wear an identification badge or arm-band.

**Article 6      Audio Recording or Videotaping of Meetings for Evidence**

A general meeting shall be audio recorded and videotaped in its entirety on a continuous, non-stop basis from the time the Shareholders report to the meeting and the meeting itself to voting and ballot counting, and these tapes shall be kept for at least one year. However, the said tapes shall be kept until the conclusion of legal proceedings if a Shareholder initiates proceedings in accordance with the Applicable Listing Rules.

**Article 7      The Chairman and Agent**

Subject to the Applicable Listing Rules, the Chairman, if any, of the Board of the Directors shall preside as chairman at every general meeting of the Company convened by the Board of the Directors. In case the Chairman is on leave or absent or can not exercise his/her power and authority for any cause, he/she shall designate one of the other Directors to act on his/her behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting chairman for the meeting.

Where a Managing Director or a Director is to act as the agent for the chairman in the preceding paragraph, only the Managing Directors or Directors who have in the position for six months or more and have a good understanding of the Company's financial and business conditions may be allowed to do so. The same shall apply in case that the representative of a corporate director acts as the chairman.

For a general meeting convened by any other person having the convening right, such person shall act as the chairman of that meeting; provided that if there are two (2) or more persons jointly having the convening right, the chairman of the meeting shall be elected from those persons.

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**Article 8**      **Convention of A Meeting**

The chairman shall call the general meeting to order at the time scheduled for the general meeting and announce the number of non-voting rights and the number of shares present. If the number of Shares represented by the attending Shareholders has not yet constituted the quorum (more than an aggregate of one-half (1/2) of all Shares in issue present in person or by proxy and entitled to vote) at the time scheduled for the general meeting, the chairman may postpone the time for the meeting.

The postponements shall be limited to two times at most, and the general meeting shall not be postponed for more than one hour in total. If after two postponements the number of Shares represented by the attending Shareholders has constituted more than one-third (1/3) of all Shares in issue present in person or by proxy and entitled to vote, a tentative resolution may be passed in accordance with the Applicable Listing Rules.

Before the end of such a meeting, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all Shares in issue, the chairman may put the tentative resolution(s) already passed to the Shareholders' resolution again in accordance with the Applicable Listing Rules.

**Article 9**      **Proposal Discussion**

For a Shareholders' meeting convened by the Board of Directors, it is advised that the chairman shall host the Shareholders' meeting in person and a majority of the Director are present as the meeting. In addition, all functional committees shall send at least one representatives to preside over the Shareholders' meeting and their attendance shall be records in the meeting minutes.

The agenda of general meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. Unless otherwise approved in the general meeting, the general meeting shall proceed in accordance with the agenda, and the related proposals (including extraordinary motions and amendment to original proposals) shall be voted by poll on a one-by-one basis.

The preceding paragraph applies to circumstances where the general meeting is convened by any person, other than the Board of Directors, entitled to convene such general meeting. Unless otherwise resolved at the general meeting or in accordance with Article 17 of the Rules, the chairman cannot announce adjournment of the general meeting before all items listed in the agenda are resolved; after a meeting is adjourned, Shareholders shall not elect a chairman and resume the meeting at the same or another venue.

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In case that the chairman adjourns the general meeting in violation of the Rules, other members of the Board of Directors shall promptly assist the attending Shareholders to elect, by a majority of votes represented by attending Shareholders present in the general meeting, another person to serve as chairman to continue the general meeting in accordance with due procedures.

The chairman shall provide sufficient time for the explanation and discussion of all items listed in the agenda and amendments submitted by Shareholders. The chairman may announce an end of discussion and submit an item for a vote if the chairman deems that the agenda item is ready for voting and the discussion and amendments proposed complied with the Applicable Listing Rules and the Articles. The chairman shall provide sufficient time for casting the votes.

**Article 10      Speech of Shareholder**

When a Shareholder attending the general meeting wishes to speak, a speech note should be filled out with summary of the speech, the Shareholder's account number (or the number of attendance card) and the account name of the Shareholder. The sequence of speeches shall be determined by the chairman.

If any attending Shareholder at the general meeting submits a speech note but does not speak, no speech shall be deemed to have been made by such Shareholder. In case contents of the speech of a Shareholder are inconsistent with the contents of the speech note, the content of actual speech shall prevail.

Any Shareholder may not speak more than twice concerning the same item without chairman's consent, and each speech time shall not exceed five minutes. In case the speech of any Shareholder violates this paragraph or is outside the scope of the agenda item, the chairman may stop the speech of such Shareholder. Unless otherwise permitted by the chairman and the speaking Shareholder, no Shareholder shall interrupt the speech of other Shareholders. The chairman shall stop such interruption.

If a corporate Shareholder has appointed two or more representatives to attend the general meeting, only one representative can speak for each agenda item. After the speech of any Shareholder, the Chairman may make responses by him or herself or appoint an appropriate person to respond.

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**Article 11      Proposal by Shareholder**

In accordance with the Applicable Listing Rules and subject to Article 52 of the Articles, any Shareholders who individually or collectively hold one percent (1%) or more of the total number of issued Shares of the Company may submit to the Company a proposal for discussion at the annual general meeting in writing or by way of electronic transmission.

**Article 12      Calculation of Voting Shares and Recusal**

Voting at a general meeting shall be based on the number of Shares.

The number of Shares represented by Shareholders present at the meeting shall be calculated in accordance with the sign-in book or submitted attendance card, plus the voting Shares exercised in writing or electronically.

The Shares solicited by solicitors and Shares represented by proxies shall be disclosed in a statement in the form consistent with the Applicable Listing Rules posted at a conspicuous location within the meeting venue on the meeting day.

The Shares held by any Shareholders with no voting rights shall not be included in the total number of issued Shares while voting on resolutions in the general meeting.

To the extent required by the Applicable Listing Rules and in accordance with Article 66 of the Articles, any Shareholder who bears a personal interest that may conflict with and impair the interest of the Company in respect of any proposed matter for consideration an approval at a general meeting shall abstain from voting any of the Shares that such Shareholder should otherwise be entitled to vote in person, as a proxy or corporate representative with respect to said matter.

Any Shares held by any Shareholders who are not permitted to exercise voting rights in the preceding paragraph shall not be counted in the number of votes of Shareholders present at the general meeting for relevant resolutions.

Except for Taiwan trust enterprises or Shareholders' Service Agencies approved by Taiwan competent authorities, when a person who acts as the proxy for two or more Shareholders concurrently, the number of votes represented by him shall not exceed three percent of the total number of votes of the Company and the portion of excessive votes represented by such proxy shall not be counted.



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Subjected to the Applicable Listing Rules, if any Shareholders holding Shares for and on behalf of another person or entity, such Shareholder may assert to exercise the voting rights separately. The qualifications, scopes, exercises, operational procedures and other matters in relation to the aforesaid separate exercise of voting rights shall be conducted in accordance with the Applicable Listing Rules.

**Article 13**      **Principle for Voting Right**

Subject to the Articles and any rights and restrictions for the time being attached to any Share, every Shareholder and every Person represented by proxy shall have one vote for each Share of which he or the Person represented by proxy is the holder.

Shareholders shall vote on each of the proposal presented at the meeting and the result of the vote indicating Shareholders' consent, objection and abstaining from voting shall be entered at the Market Observation Post System on the day immediately following the convention of the Shareholders' meeting.

Where any Director or supervisor (if any), who is also a Shareholders of the Company, creates or has created a pledge on the Shares held by such Director (the "Pledge Shares") exceeding fifty percent (50%) of total Shares held by such Director at the time of his/her appointment as Directors or supervisor (if any), such Directors or supervisor (if any) shall refrain from exercising its voting rights on the Shares representing the difference between the Pledge Shares and fifty percent (50%) of the total Shares held by such Director or supervisor (if any) at the time of his/her appointment as Director or supervisor (if any), and such Shares shall not be counted toward the number of votes represented by the Shareholders present at a general meeting.

**Article 14**      **Voting on Proposal**

Unless otherwise provided for under the Applicable Listing Rules or the Articles, a proposal put to a vote shall be approved by consent of a majority of Shareholders present at the meeting attended.

In case of an amendment proposal or substitute proposal to an original proposal, the chairman shall decide on the order of vote together with the original proposal. However, if one of the proposals has been approved, the others shall be deemed overruled and no further vote is required.

Where directors and/or supervisors are elected at a Shareholders' meeting the election shall be conducted in accordance with the applicable election rules established by the Company and the election results, including the list of all directors and/or supervisors who were elected and lost the election and numbers of their votes, shall be announced at the same meeting.

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Voting ballots cast in the election of director(s) shall be signed and sealed by scrutinizer and properly kept for at least one (1) years; provided, however, that in case of a litigation instituted by Shareholder, these ballots shall then be kept until conclusion of the litigation.

**Article 15      Checking and Counting Ballots**

The chairman shall appoint persons responsible for checking and counting ballots during votes on agenda items. However, the persons responsible for checking ballots must be Shareholders. The ballots cast in the voting of a general meeting or for election proposal shall be publicly counted at any general meeting venue and the result of voting, cast in the voting of a general meeting or for election proposal, shall be announced at the same general meeting after all ballots have been counted and placed on record.

**Article 16      Meeting Minutes**

Any resolutions made at a general meeting shall be compiled in the form of meeting minutes. The chairman shall affix his/her signature or seal to the meeting minutes, which shall be issued to shareholders within twenty days after the end of the general meeting. Meeting minutes may be produced and issued to Shareholders in electronic form.

While the Company remains as a listing company in Taiwan, the meeting minutes referred to in the preceding paragraph may be distributed, alternatively, by way of making public announcement at the Market Observation Post System (the “MOPS”).

The meeting minutes must faithfully record the meeting's date (year, month, day), place, Chairman's name, resolution method, summary of proceedings, and results of resolutions (including calculation of voting ballots). When there is election of directors, the number of voting ballots obtained by each candidates should be disclosed. Meeting minutes shall be kept during the existence of the Company.

The number of votes casted for and against a resolution and the total number of votes cast shall be recorded in the meeting minutes.

The Company shall upload the relevant information and contents of the resolution made in the general meeting onto the MOPS within the prescriptive period of there is any material information (as defined and prescribed under the Applicable Listing Rules) in such resolution.

**Article 17      Intermission and Resumption of A Meeting**

During the general meeting, the chairman may, at his or her discretion, set time for intermission. In exceptional cases, when there are incidents that temporarily prevent the normal progress of the general meeting, the

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chairman may decide to temporarily suspend the general meeting and announce, depending on the situation, the time that the meeting will resume.

Before the agenda set for the general meeting are completed, if the meeting venue cannot continue to be used for the general meeting, the chairman may seek another venue to resume the general meeting. Upon approval by Ordinary Resolution, the chairman may (and shall if so directed by the meeting) adjourn the general meeting if necessary.

The Shareholders may resolve to adjourn or resume the general meeting within five days in accordance with the Applicable Listing Rules and the Articles.

**Article 18      Preservation of Order at the Meeting Venue**

The chairman may direct inspectors (or security guards) to assist in preserving the order at the meeting venue. Inspectors (or security guards) shall wear an arm-band with the word "Inspector" when assisting in preserving the order at the meeting venue.

The chairman may direct inspectors or security guards to ask Shareholders who violate the Rules, disobey the chairman's correction, impede the process of the meeting and do not comply after being asked to stop to leave the meeting venue.

If there is speaker facility at the meeting venue and a shareholder speaks with the facility other than that prepared by the Company, the chairman may stop him.

**Article 19      Enforcement and Amendment**

Establishment and amendment to the Rules shall be subject to approval of the Board of Directors, which shall be further approved by Ordinary Resolution in the general meeting.

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**Chapter I General Provisions**

**Article 1**

To establish a strong corporate governance system, the Company has formulated the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies established by the Taiwan Stock Exchange Corporation of the Republic of China (hereinafter referred to as “TWSE”) and Taipei Exchange (hereinafter referred to as “TPEX”).

**Article 2**

When setting up a corporate governance system, in addition to complying with relevant laws, regulations, the Articles of Incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, the Company shall follow the following principles:

- I. Establish an effective corporate governance structure.
- II. Protect shareholders’ rights and interests.
- III. Strengthen the competencies of the Board of Directors.
- IV. Leverage the functions of the Audit Committee.
- V. Respect stakeholders’ rights and interests.
- VI. Enhance information transparency.

**Article 3**

The Company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system and conduct reviews of the system all the time, in order to ensure the continuous effectiveness of the design and implementation of the system in response to changes in the Company's internal and external environments.

The establishment or modification of the internal control system shall be approved by more than half of all members of the Audit Committee and submitted to the Board of Directors for a resolution. Any objections or reservations expressed by independent directors shall be recorded in the Board meeting minutes.

The Company shall duly perform a self-assessment of its internal control system. The Board of Directors and the management team shall review the results of the self-assessments by each department at least annually and the reports submitted by the internal audit department on a quarterly basis. The Audit Committee shall also attend to and supervise such matters. The Company is advised to establish communication channels and mechanisms among independent directors, the Audit Committee, and the chief internal auditor. The directors and the Audit Committee shall hold regular discussions with internal auditors about the review of the defects in the internal control

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system, and shall keep records of the discussions and track and implement improvement measures, with a report submitted to the Board of Directors. Where an Audit Committee has been established in accordance with the Securities and Exchange Act, the assessment of the effectiveness of the internal control system shall be approved by at least one-half of all members of the Audit Committee and submitted to the Board of Directors for a resolution.

The Company's management shall attach great importance to the internal audit department and its personnel, fully empower them and urge them to duly perform audits, to evaluate the defects of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an ongoing basis and to assist the Board of Directors and the management team to duly perform their duties, thereby ensuring a sound corporate governance system

To duly implement the internal control system, strengthen the professional abilities of the internal auditors' substitutes, and improve and maintain the audit quality and effect, the Company shall designate personnel as the internal auditors' substitutes.

The rules of the criteria that the internal auditors shall meet under the Regulations Governing Establishment of Internal Control Systems by Public Companies shall apply mutatis mutandis to the substitutes in the preceding paragraph.

**Chapter II Protection of Shareholders' Rights and Interests**

**Section 1 Encouraging Shareholders to Participate in Corporate Governance**

**Article 4**

The Company's corporate governance system shall be mainly designed to protect shareholders' rights and interests and treat all shareholders equally.

The Company shall establish a corporate governance system which ensures shareholders' rights to be fully informed of, participate in, and make decisions over the Company's important matters.

**Article 5**

The Company shall convene a shareholders' meeting in accordance with the Company Act and relevant laws and regulations and formulate comprehensive rules of procedure for such meetings, while faithfully implementing resolutions adopted by the shareholders meetings in accordance with the rules of procedure for such meetings.

The resolutions adopted by shareholders' meetings shall be in compliance with laws, regulations, and the Articles of Incorporation.

**Article 6**

The Company's Board of Directors shall properly arrange the agenda items and procedures for shareholders' meetings and formulate the principles and procedures for shareholders' nominations for directors and submissions of proposals. The Board shall also properly handle the proposals duly

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submitted by shareholders. A shareholders' meeting shall be held at a convenient location, with sufficient time and sufficient numbers of suitable personnel assigned for the sign-in procedure. No arbitrary requirements shall be imposed on shareholders to provide additional documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders' meeting called by the Board of Directors, it is advisable that the Chairman chair the meeting, that a majority of the directors and at least one representative of each functional committee attend in person. Attendance details shall be recorded in the minutes of the shareholders' meeting.

**Article 7**

The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the Company engage a professional shareholders' services agency to handle shareholders' meeting matters, so that shareholders' meetings can proceed on a legal, effective, and secure basis. The Company shall seek all ways and means, including fully adopting technologies for information disclosure and voting, to increase shareholders' attendance at shareholders' meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Company is advised to avoid raising extempore motion and amendments to original proposals at a shareholders' meeting when electronic voting is adopted at such a meeting.

The Company's shareholders shall vote on the proposals on the agenda of a shareholders' meeting on a case-by-case basis. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered on the online information reporting system designated by the TWSE.

The Company shall not treat differently or discriminate against shareholders when giving out small gifts at the shareholders' meeting.

**Article 8**

The Company, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders' meeting minutes the date and place of the meeting, the name of the chair, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefor and the total number of votes won by each elected director.

The shareholders' meeting minutes shall be properly and permanently kept by the Company during its legal existence and is advised to be sufficiently disclosed on the Company's website.

**Article 9**

The chair of a shareholders' meeting shall be fully informed of and comply with the rules of

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procedure for the shareholders' meetings established by the Company and ensure the smooth progress of the proceedings of the meeting and may not adjourn the meetings at will.

To protect most shareholders' rights, if the chair declares a meeting adjourned in a manner in violation of the rules of procedure for shareholders meetings, it is advisable that the Board members other than the chair of the shareholders' meeting promptly assist the attending shareholders at the shareholders' meeting in electing a new chair to continue the meeting, by a resolution adopted by a majority of the votes represented by the shareholders attending said meeting in accordance with the legal procedures.

**Article 10**

The Company shall place high importance on the shareholders' right to know and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on its financial position, operations, insiders' shareholdings, and corporate governance status through the Market Observation Post System (MOPS) or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting its insiders from trading securities using information not disclosed to the market.

**Article 11**

The shareholders shall be entitled to profit distributed by the Company. To ensure shareholders' investment interests, a shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and documents prepared and submitted by the Board of Directors and the review report submitted by the Audit Committee, and vote on the earnings distribution or deficit compensation proposal. To proceed with the above examination process, the shareholders' meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the Company's accounting records and assets.

The Company's Board of Directors, Audit Committee, and managers shall fully cooperate with the examination conducted by the inspector in the aforesaid two paragraphs without any interference, rejection, or circumvention.

**Article 12**

In entering into material financial and business transactions, such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and regulations and establish relevant operating

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procedures which shall be reported to and approved by the shareholders' meeting, to protect shareholders' rights and interests.

When the Company is involved in a public tender offer, in addition to proceeding in accordance with the applicable laws and regulations, it is advisable to form an objective and independent review committee to review the acquisition price and the reasonableness of the acquisition plan, while paying attention to the information disclosure regulations.

The relevant personnel handling the matters in the preceding paragraph shall pay attention to any conflicts of interest and the need for recusal.

**Article 13**

To protect shareholders' rights and interests, it is advisable that the Company designate personnel exclusively dedicated to handling shareholders' proposals, questions, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that their rights and interests were damaged by a resolution adopted at a shareholders' meeting or a Board meeting in violation of applicable laws, regulations, or the Company's Articles of Incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors or managers in performing their duties.

**Section 2 Corporate Governance Relationships Between the Company and Its Affiliates**

**Article 14**

The Company shall clearly identify the objectives and the division of responsibilities between it and its affiliates with respect to management of personnel, assets, and financial matters and shall properly carry out risk assessments and establish appropriate firewalls.

**Article 15**

Unless otherwise provided by the laws and regulations, a manager at the Company shall not serve as a manager concurrently at any of its affiliates.

A director who engages in any transaction for himself or on behalf of another person within the scope of the Company's operations shall explain the major content of such actions to the shareholders' meeting and obtain its consent.

**Article 16**

The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliates, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.



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**Article 17**

When the Company and its affiliates enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be clearly stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

Transactions or contracts between the Company and related parties or shareholders shall also be handled in accordance with the principles under the preceding paragraph, and transfer of benefits is strictly prohibited.

**Article 18**

A corporate shareholder having controlling power over the Company shall comply with the following provisions:

- I. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
- II. Its representative shall follow the rules implemented by the Company with respect to the exercise of rights and participation of resolution, so that at a shareholders' meeting, the representative shall exercise their voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care as a director.
- III. It shall comply with relevant laws, regulations and the Articles of Incorporation in nominating directors and shall not act beyond the authority granted by the shareholders' meeting or the Board of Directors.
- IV. It shall not improperly intervene in the Company's decision-making process or interfere with corporate management activities.
- V. It shall not restrict or impede the Company's management or production by mean of unfair competition, such as monopolizing corporate procurement or foreclosing sales channels.
- VI. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Company's requirements for professional qualifications.

**Article 19**

The Company shall keep abreast of a register of major shareholders with relatively high shareholdings and controlling power at all times and those with ultimate control over such major shareholders.

The Company shall disclose periodically important information on its shareholders holding more than 10% of its issued shares relating to the pledge, increase or decrease of shareholdings, or other matters that may possibly trigger a change in their shareholdings, to allow other shareholders to supervise such matters.

The major shareholder indicated in the first paragraph refers to those who owns 5% or more of

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the Company's issued or whose shareholdings ranked among the top 10; however, the Company may set up a lower shareholding threshold according to the shareholding with a control over the Company.

**Chapter III Enhancement of the Competencies of the Board of Directors**

**Section 1 Structure of the Board of Directors**

**Article 20**

The Company's Board of Directors shall be responsible to shareholders. The operations and arrangements of the corporate governance system shall ensure that the Board of Directors perform its duties and powers in accordance with laws and regulations and the Articles of Incorporation or the resolutions adopted by the shareholders' meeting.

The structure of the Company's Board of Directors shall be based on the scale of the Company's business development, the shareholdings of its major shareholders, and the practical operational needs so as to determine an appropriate number of directors as stipulated in the Articles of Incorporation.

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating models, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: A professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

All members on the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct business management.
- IV. Ability to conduct crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Ability to lead.
- VIII. Ability to make decisions.

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**Article 21**

The Company shall establish a fair, just, and open procedure for the election of directors and adopt a cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

When the number of directors falls below five due to the discharge of a director for any reason, the Company shall hold a by-election for director(s) at the soonest shareholders' meeting. When the number of directors falls short by one-third of the total number prescribed by the Articles of Incorporation, the Company shall convene a extraordinary shareholders' meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholdings of all of the directors of the Company shall be in compliance with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

**Article 22**

The Company shall adopt a candidate nomination system for elections of directors and carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, while shall not arbitrarily require additional supporting documents for other qualifications and shall submit the review results to shareholders as a reference in order to elect suitable directors.

**Article 23**

The Company shall draw clear distinctions of the duties and responsibilities of the Chairman and the President.

It is inappropriate for the Chairman to also act as the President. If the Chairman and the President are served the same person or are spouses or relatives within the first degree of kinship, it is advisable to increase the number of independent directors. The Company with a functional committee shall clearly define the responsibilities and duties of the committee.

**Section 2 Independent Director System**

**Article 24**

The Company shall, in accordance with the Articles of Incorporation, appoint at least three independent directors, which shall reach one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions held concurrently. Independent directors shall also maintain

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independence within the scope of their duties and may not have any direct or indirect interest in the Company.

The Company shall adopt a candidates nomination system for an election of independent directors in accordance with Article 192-1 of the Company Act, which shall be stated in the Articles of Incorporation. Shareholders shall elect independent directors them from the list of candidates for independent directors. Independent directors and general directors shall be elected together in accordance with Article 198 of the Company Act, and the number of elected ones shall be counted separately.

If the Company and its business group and organizations, and another company and its business group and organizations nominate for each other any director, supervisor, or manager as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "business group and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50% of its endowment, and other institutions or juridical persons with the ultimate control over the Company.

Change of status between independent directors and general directors during their term of office is prohibited.

If the independent directors are dismissed due to any reasons and the number of independent directors falls short of the number under paragraph 1 or the Articles of Incorporation, additional independent directors shall be elected through a by-election at the soonest shareholders' meeting. When all independent directors are dismissed, the Company shall convene an extraordinary shareholders' meeting for a by-election within 60 days from the date of the occurrence of the fact.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination, and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the TWSE or TPEX.

#### **Article 25**

The Company shall submit the following matters to the Board of Directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has an objection or reservation, it shall be noted in the minutes of the Board meeting:

- I. Adoption or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

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- II. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans to others, or endorsements or guarantees for others.
- III. A matter involving the personal interest of a director or a supervisor.
- IV. A material asset or derivatives trading.
- V. A material monetary loan, endorsement, or provision of guarantee.
- VI. The offering, issuance, or private placement of any equity-type securities.
- VII. The hiring, discharge, or compensation of a CPA.
- VIII. The appointment or discharge of a financial or accounting officer, or chief internal auditor.
- IX. Any other material matter so required by the competent authority.

**Article 26**

The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and resources related to the exercise of their power. The Company or other Board members shall not restrict or interfere with the performance of duties by the independent directors.

The Company shall specify the remuneration of directors in the Articles of Incorporation or in accordance with a resolution adopted by the shareholders' meeting. The remuneration of directors shall fully reflect their personal performance and the Company's long-term business performance with the Company's business risks taken into account. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

If the Company has set aside a special reserve as stipulated in the Articles of Incorporation, resolved by the shareholders' meeting, or ordered by the competent authority, after the special reserve is set aside, the method of distribution of earnings when the special reserve is reversed and consolidated into undistributed earnings shall specified in the Articles of Incorporation before the remuneration is paid to directors, supervisors, and employees.

**Section 3 Audit Committee and Other Functional Committees**

**Article 27**

For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors, as per the Company's scale and the number of independent directors, may set up various functional committees.

Functional committees shall be responsible to the Board of Directors and submit their proposals to the Board of Directors for approval, provided that the performance of supervisor's duties by the Audit Committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange

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Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the Board of Directors. The organizational charter shall contain the numbers, terms of office, and responsibilities of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by such committees.

**Article 28**

The Company shall establish an Audit Committee. The Audit Committee shall be composed of all independent directors. It shall not be fewer than three members in number, one of whom shall be the convener and at least one of whom shall have accounting or financial expertise.

The Securities and Exchange Act, the Company Act, other laws and regulations, and these Principles regarding supervisors shall apply mutatis mutandis to the Audit Committee.

The matters below shall be approved by more than half of all members of the Audit Committee and submitted to the Board of Directors for a resolution, while the provisions of Article 25 of these Principles shall not apply:

- I. Adoption or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- II. Evaluation of the effectiveness of the internal control system.
- III. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans to others, or endorsements or guarantees for others.
- IV. A matter involving the personal interest of a director.
- V. A material asset or derivatives trading.
- VI. A material monetary loan, endorsement, or provision of guarantee.
- VII. The offering, issuance, or private placement of any equity-type securities.
- VIII. The hiring, discharge, or compensation of a CPA.
- IX. The appointment or discharge of a financial or accounting officer, or chief internal auditor.
- X. Annual financial reports and semi-annual financial reports.
- XI. Any other material matter so required by the Company or the competent authority.

The performance of duties by the Audit Committee and independent directors and relevant matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or TPEX.

**Article 29**

The Company shall establish a Remuneration Committee. The professional qualifications of its

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members, the performance of duties, the formulation of its organizational charter, and relevant matters shall be handled in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.

The Remuneration Committee shall, with the duty of care as a good manager, faithfully perform the duties below and submit its suggestions to the Board of Directors for discussion:

- I. Formulate and regularly review the policies, systems, standards, and structures for the performance evaluation and remuneration of directors and managers.
- II. Periodically evaluate and determine directors' and managers' salaries.

When performing the duties in the preceding paragraph, the Remuneration Committee shall follow the following principles:

- I. The performance evaluation and remuneration of directors and managers shall be determined with reference to the general salary standard in the industry, with the reasonableness of the relevance of the remuneration to their personal performance, business performance, and future risks.
- II. Directors and managers shall not be led to engage in behavior outside the Company's risk appetite in pursuit of remuneration.
- III. The percentage of earnings for dividends paid to directors and senior managers for their short-term performance and the timing of payment of some variable salaries shall be determined as per industry characteristics and the nature of the Company's business

**Article 30**

The Company is advised to set up an anonymous internal whistleblower channel and establish a whistleblower protection system; the unit responsible for accepting such reports shall be independent, encrypt and protect the files provided by whistleblowers, properly restrict access rights, as well as formulate internal operating procedures and incorporate them into the internal control system.

**Article 31**

To improve the quality of its financial reports, the Company shall designate a substitute for the managerial officer of accounting.

To enhance the professional abilities of the substitute for the managerial officer of accounting in the preceding paragraph, the substitute's continuing education shall proceed following the schedule of the managerial officer of accounting.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for six hours or more per year. Such courses may be the Company's internal training or professional courses offered by professional development institutions for the managerial officer of accounting.

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The Company shall select a professional, responsible, and independent CPA to perform regular audits of the Company's financial position and internal control measures. With regard to any irregularity or defects discovered and disclosed in a timely manner by the CPA during the audit, and concrete measures for improvement or fraud prevention suggested by the CPA, the Company shall faithfully implement improvement measures. It is advisable that the Company establish channels and mechanisms of communication between the independent directors, members of the Audit Committee, and the CPA, establish procedures for that purpose, and incorporate them into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly (at least once a year). In the event that the Company engages the same CPA without replacement for seven years in a row, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

**Article 32**

It is advisable that the Company engage a professional and competent attorney to provide adequate legal consultation services to the Company, or to assist the directors and the management in improving their knowledge of the law, to prevent any infraction of laws or regulations by the Company or its staff and ensure that corporate governance operates pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors or the management team is involved in litigation or a dispute with shareholders, the Company shall retain an attorney to provide assistance as circumstances require.

The Audit Committee or an independent director may retain an attorney, CPA, or other professionals on behalf of the Company to perform a necessary audit or provide consultation on matters in relation to the performance of their duties, at the expense of the Company.

**Section 4 Rules of Procedure for Board Meetings and Decision-Making**

**Article 33**

The Board of Directors shall meet at least once every quarter or convene at any time in case of emergency. To convene a Board meeting, a meeting notice that shall specify the purposes of the meeting shall be sent to each director no later than seven days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the Board of Directors.

The Company shall adopt rules of procedure for Board meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with



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regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

**Article 34**

Directors shall exercise a high degree of self-discipline. If a director or a juridical person represented by the director has personal interest involved with respect to any proposal for a Board meeting, the director shall state the important aspects of the personal interest at the meeting. When the personal interest is likely to prejudice the Company's interests, the director may be recused from the discussion or voting on that proposal. The director also may not exercise voting rights on behalf of another director regarding that proposal.

Matters requiring a director's voluntary recusal shall be clearly set forth in the rules of procedure for Board meetings.

**Article 35**

When a Board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, independent directors shall attend the Board meeting in person and may not be represented by a non-independent director as a proxy. When an independent director expresses objection or reservation, it shall be noted in the Board meeting minutes. If the independent directors cannot attend the Board meeting in person to voice their objection or reservation, they should provide a written opinion before the Board meeting unless there are justifiable reasons for the inability to do so, and the opinion shall be noted in the Board meeting minutes.

In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes and publicly announced and declared on the MOPS before the beginning of trading hours on the following business day after the date of the Board meeting:

- I. An independent director expresses objection or reservation which is on record or stated in a written statement.
- II. The matter was not approved by the Audit Committee where the Company has set up an Audit Committee but approved by more than two-thirds of all directors.

During a Board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, attend the meeting in a non-voting capacity, report on the current business conditions, and respond to questions raised by the directors. Where necessary, a CPA, attorney, or other professionals may be invited to attend the meeting in a non-voting capacity to assist the directors in understanding the Company's conditions for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting during deliberation or voting.

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**Article 36**

The Company's personnel in charge of Board meetings shall collect and correctly record the meeting minutes in detail as well as a summary, the method of resolution, and voting results of all the proposals submitted to the Board meeting in accordance with relevant regulations.

The Board meeting minutes shall be signed by the chair and the minute taker and sent to each director within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, listed as important corporate records, and kept properly and permanently during the existence of the Company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall make audio or video recording of the entire proceedings of a Board meeting and preserve the recordings for at least five years in electronic form.

If before the end of the preservation period referred to in the preceding paragraph, a lawsuit arises with respect to a resolution by a Board meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a Board meeting is held by video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution by the Board of Directors violates laws, regulations, the Articles of Incorporation, or resolutions adopted at the shareholders' meeting, thus causing a damage to the Company, directors who expressed objection, which can be proven by minutes or written statements, will not be liable for damages.

**Article 37**

The Company shall submit the following matters to the Board of Directors for discussion:

- I. The Company's business plans.
- II. Annual financial reports and semi-annual financial reports, with the exception of semi-annual financial reports which need not be CPA audited and attested under relevant laws and regulations.
- III. Adoption or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans to others, or endorsements or guarantees for others.
- V. The offering, issuance, or private placement of any equity-type securities.
- VI. The performance assessment and the standard of remuneration of the managerial officers.
- VII. The structure and system of director's remuneration.

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- VIII. The appointment or discharge of a financial or accounting officer, or chief internal auditor.
- IX. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation for disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive ratification.
- X. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be approved by the Board of Directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or the Articles of Incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

**Article 38**

The Company shall ask the appropriate execution unit or personnel to execute matters pursuant to the Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the Board's management decisions.

**Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors**

**Article 39**

Board members shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the Company's business, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise stipulated in law or the Articles of Incorporation or approved by shareholders' meetings, they shall ensure that all matters are handled according to the resolutions by the Board of Directors.

If a resolution by the Board of Directors involve the Company's business development and major decision-making directions, it shall be carefully considered and must not affect the promotion and operation of corporate governance.

Independent directors shall perform their duties in accordance with the requirements of relevant laws and the Company's Articles of Incorporation to safeguard the Company's and shareholders' rights and interests.

The Company is advised to formulate regulations on and procedures for the performance

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evaluation of the Board of Directors and conduct evaluations of the performance of the Board of Directors, functional committees, and individual directors on a regular basis every year in the forms of self-evaluation, peer evaluation, evaluation by external professional organizations, or other appropriate methods. The content of the performance evaluation of the Board of Directors (functional committees) shall include the following aspects, and suitable evaluation indicators shall be formulated as per the Company's needs:

- I. The degree of participation in the Company's operations.
- II. Improvement in the quality of decision making by the Board of Director.
- III. The composition and structure of the Board of Director.
- IV. The election of the directors and their continuing professional education.
- V. Internal controls.

The performance evaluation of Board members (self-evaluation or peer evaluation) shall include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

- I. Keeping abreast of the Company's goals and tasks.
- II. Understanding of directors' duties.
- III. The degree of participation in the Company's operations.
- IV. Internal relationship management and communication.
- V. Director's professional training and continuing education.
- VI. Internal control.

The Board of Directors shall consider and adjust the composition of the Board of Directors based on the results of the performance evaluation.

**Article 40**

The Company is advised to formulate a management succession plan, and the Board of Directors may regularly evaluate the development and implementation of the plan to ensure sustainable development.

**Article 41**

If a resolution by the Board of Directors violates laws, regulations, or the Articles of Incorporation, then at the request of shareholders holding the Company's shares continuously for a year or an independent director, Board members shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company may suffer a significant damage, the Board members shall immediately report to the Audit Committee or an independent director as a member of the Audit Committee in accordance with the foregoing paragraph.

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**Article 42**

The Company may purchase directors liability insurance with respect to liabilities resulting from performing their duties during their terms of office so as to reduce and diversify the risk of significant damage to the Company and shareholders arising from any wrongdoings or negligence as a director.

**Article 43**

Board members are advised to participate in training courses on finance, risk management, business, commerce, accounting, law, or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance, upon becoming directors and throughout their terms of office. They shall also ensure that Company's employees at all levels will enhance their professionalism and knowledge of the law.

**Chapter IV Respecting Stakeholders' Rights**

**Article 44**

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and is advised to set up a stakeholders section on its website.

When a management buyout occurs in the Company, attention shall be paid to the soundness of the Company's financial structure after the buyout.

When any of a stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

**Article 45**

The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of its operational and financial position and decision-making process. When any of their legal rights or interest is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

**Article 46**

The Company shall establish channels of communication with employees and encourage them to communicate directly with the management or directors so as to reflect their opinions about the Company's business management, financial position, and material decisions concerning employees' interests.

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**Article 47**

In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall attach great importance to the Company's social responsibility.

**Chapter V Improving Information Transparency**

**Section 1 Enhancing Information Disclosure**

**Article 48**

The Company shall perform its obligations to disclose information faithfully in accordance with the relevant laws and the TWSE or TPEX rules. The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for collecting and disclosing the information, and establish a spokesperson system to ensure the proper and timely disclosure of information about policies that may affect shareholders' and stakeholders' decisions.

**Article 49**

To enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial position and business conditions and who are capable of coordinating the collection of relevant information among departments and representing the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform their duties, in making statements independently, provided that the order of delegation of authority is established to avoid any confusion.

To implement the spokesperson system, the Company shall standardize the process of making external statements and require the management and employees to maintain the confidentiality of financial and trade secrets, while prohibiting them from disclosing any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change to the spokesperson or acting spokesperson.

**Article 50**

To keep shareholders and stakeholders fully informed, the Company shall set up a website on the Internet containing the information regarding the Company's finance, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by dedicated personnel, and the information thereon shall be accurate, detailed, and updated on a timely basis.

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**Article 51**

The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEX and keep an audio or video record of the conference. The financial and business information disclosed at the investor conference shall be disclosed on the online information reporting system designated by the TWSE or TPEX and be available for inquiry on the Company's website or other appropriate channels.

**Section 2 Disclosure of Information on Corporate Governance**

**Article 52**

The Company shall disclose relevant information on corporate governance in the following year in accordance with relevant laws and regulations and the rules of Taiwan Stock Exchange Corporation or Taipei Exchange:

- I. The structure and rules of corporate governance.
- II. Shareholding structure and shareholders' rights and interests.
- III. The structure and independence of the Board of Directors.
- IV. Responsibilities of the Board of Directors and managers.
- V. The composition, responsibilities, and independence of the Audit Committee.
- VI. The composition, responsibilities, and operations of the Remuneration Committee.
- VII. Remuneration paid to directors, the President, and Vice Presidents in the most recent year, analysis of the proportion of total remuneration to net income after tax, the remuneration payment policy, standard, and package, procedures for determining remuneration, and the relevance of the remuneration to business performance. Under any of the special circumstances below, it is advisable to disclose individual directors' remuneration as appropriate.
- VIII. The directors' continuing education.
- IX. Stakeholders' rights and relationships.
- X. The details of the handling of information disclosure regulated by laws and regulations.
- XI. Differences between the operation of corporate governance, the Corporate Governance Best Practice Principles formulated by the Company, and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
- XII. Other information on corporate governance.

The Company is advised to take appropriate measures to disclose its specific plans and measures to improve corporate governance depending on the implementation of corporate governance.

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**Chapter VI Supplementary Provisions**

**Article 53**

The Company shall at all times monitor domestic and international development of corporate governance as a basis for review of and improvement to the Company's corporate governance mechanisms, to enhance their effectiveness.

**Article 54**

The Corporate Governance Best Practice Principles and any amendments thereto shall be implemented after being approved by the Board of Directors and disclosed on the MOPS.



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Article 1 Purpose

This operational procedure is specified for the protection of assets and disclosure of information.

Article 2 Legal Basis

These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act in Taiwan and the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and each subsidiary shall be prescribed or modified in accordance with the applicable local laws and regulations, provided that the revised version shall be reported to the Board of Directors of the Company for approval.

Article 3 The Scope Of Assets

The term "assets" as used in these Procedures includes the following:

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

Article 4 Definition Of Term

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or 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 hybrid contracts. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

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- II. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to the transfer of shares from another company through the issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. Provided, for investment where approval of the competent authority is required, the earlier of the above dates or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities for the jurisdiction 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 securities authorities for the jurisdiction where it is located.
- IX. Business premises of a securities firm: The business premises of a domestic securities firm refers to the place where, in accordance with the Regulations Governing Securities Trading on the Taipei Exchange securities firm business premises, a securities firm set up a special counter for trading securities. The business premises of a foreign securities firm refers to the business premises of a financial institution that is managed by a foreign

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securities regulatory authority and is permitted to conduct securities business.

- X. "Within the preceding year" as used herein refers to the year preceding the date of acquisition or disposal of the assets. Items that have been announced need not be counted.
- XI. The term "most recent financial statements" shall mean the financial statements of the Company that have been legally disclosed and certified or reviewed by accountants prior to the acquisition or disposal of assets by the Company.

**Article 5 Investment in Real Property or related right-of-use assets not for Business Use and the Limit on Securities**

The quota of assets to be acquired by the Company and its subsidiaries is as follows:

- I. The total amount of real property or related right-of-use assets not for business use shall not be higher than 5% of the net value.
- II. The total amount invested in long-term and short-term securities shall not be higher than 100 percent of the net value.
- III. The amount invested in individual securities shall not be higher than 50% of the net value.

**Article 6 The professional appraisers (and its personnel), the certified public accountants, the attorneys or the securities underwriters who issue evaluation report or opinions with respect to any transaction shall meet the following requirements:**

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this requirement does not apply if 3 years have already passed since the completion of service of the sentence, the expiration of the period of a suspended sentence, or a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.

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- II. When examining a case, they shall appropriately plan and execute adequate operation procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related operation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

**Article 7    The Procedures For The Acquisition And Disposal Of Assets For Real Property, Other Fixed Assets Or related right-of-use assets.**

- I.    **Evaluation And Operational Procedures**  
The acquisition or disposal of real property and other fixed assets by the Company shall be handled in accordance with the fixed assets disposal procedures for the Company's internal control system.
- II.   **Resolution Procedures Of The Transaction Terms And The Amount of Authorized Limits**
  - 1. The acquiring or disposing of real property or related right-of-use assets thereof shall refer to the publicly announced current value, assessed value, the actual transaction price involving neighboring real property, the resolved transaction terms and prices, and it shall be made in the analysis report to the Chairman provided that (1) if the transaction amount reaches NT\$ 1 million or more, such transaction shall be submitted to the general manager and the Chairman for approval, (2) if the transaction amount exceeds NT\$ 60 million, such transaction shall be submitted to the general manager and the Chairman for approval and then for approval in advance by the Board of Directors.
  - 2. The acquisition or disposal of other fixed assets or related right-of-use assets shall either be done by inquiry, price comparison, or bidding. If the transaction amount is less than NT \$1 million (excluding NT \$1 million), it shall be approved step by step according to the authorization regulation. If the transaction amount exceeds NT \$60 million, the transaction can only begin after being approved first by the general manager and the Chairman and then the Board of Directors.
  - 3. According to the Company's "Procedures for Acquisition or Disposal of Assets" and other laws, the acquisition or disposal of assets by the Company shall first be approved by the audit committee and then submitted to the Board of Directors for discussion and approval. If a director expresses dissent and it is contained in the minutes or a written

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statement, the Company shall submit the director's dissenting opinion to the Shareholder's Meeting for discussion.

III. Performing department

When the Company obtains or disposes of real property, other fixed assets or related right-of-use assets, it shall be executed by the use department and the management department after it has been approved according to the Company's regulations governing which matters are to be approved by which level of authority.

IV. Appraisal reports of real property, other fixed assets or related right-of-use assets

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

1. If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently.
2. Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - 3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - 3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same

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period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

5. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

**Article 8    The Investment and Processing Procedures for Acquisition or Disposal of Securities**

**I.    Evaluation And Operational Procedures**

The purchasing and selling of long-term and short-term securities by the Company shall be dealt with and according to the investment circulation operation of the internal control system of the Company.

**II.    Procedures for determining trading conditions and authorization quotas**

1. The trading of securities at the Centralized Security Exchange Market or on the Over-The-Counter Markets shall be decided by the responsible department per the market condition. If the amount is below NT\$ 30 million (included) , it shall be approved by the Chairman of the Board and afterwards report to the latest Board of Directors meeting, and at the same time submit the long-term and short-term securities' analysis report of unrealized gains or losses. If the amount is above NT\$ 30 million, furthermore, it shall be approved by the Board of Directors.
2. The trading of securities not at the Centralized Exchange Security Market nor on the Over-The-Counter Markets shall first obtain the target company's most recent financial statement which has been audited, certified, or reviewed by the Certified Public Accountants to be the reference for assessing the transaction price, and considering its book value per share, profitability, and future development potential, etc. If the amount is below NT\$ 30 million (included), it shall be approved by the Chairman of the Board and afterwards reported to the latest Board of Directors meeting, at the same time submit the long-term and short-term securities' analysis report of unrealized gains or losses. If the amount is above NT\$ 30 million, it shall be approved by the Board of Directors.
3. According to the Company's "Procedures for Acquisition or Disposal of Assets" and other laws, the acquisition or disposal of assets by the Company shall first be approved by the audit committee and then submitted to the Board of Directors for discussion and approval. If a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Shareholder's Meeting for discussion.

**III.    Performing department**

When conducting the investment of the Company's long-term and short-term securities, it shall submit them for approval according to the

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delegation of authority in the preceding section, and this shall be executed by the financial and accounting department.

IV. Obtain professional opinions

The Company acquiring or disposing of securities shall, prior to the date of the occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$ 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 9 The procedures of the acquisition of real estate or related right-of-use assets from interested parties

I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to following Article 7 of the “Procedures for Acquisition of Real Property or related right-of-use assets”, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.

The calculation of the transaction amount referred to in the preceding section shall be made in accordance with Article 10 herein.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Evaluation and operation procedure

When the Company intends to acquire or dispose of real property or related right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or related right-of-use assets from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$ 300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:

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1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or related right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph (1) and (4) of Section 3 of this Article.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, Section 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of equipment or related right-of-use assets for business use, or the right-of-use assets of real estate for business use between the Company and its Subsidiaries, or between Subsidiaries whose shares or capital are 100% owned, directly or indirectly, by the Company, the Board may delegate the Chairman to decide such matters when the transaction is within a certain amount and submit such transaction for ratification by the Board in its next meeting.

**III. Evaluation of reasonableness of transaction costs**

1. If the Company acquires real property or related right-of-use assets from a related party it shall evaluate the reasonableness of the transaction costs by the following means:
  - 1.1 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property, provided it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 1.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as



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a security for a loan, provided the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

2. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
3. The Company that acquires real property or related right-of-use assets from a related party shall evaluate the real property or related right-of-use assets cost in accordance with paragraph (1) and (2) of Section 3 of this Article and shall also engage a CPA to check the appraisal and render a specific opinion.
4. When the results of the Company's appraisal conducted in accordance with paragraph (1) and (2) of Section 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with this Article Paragraph 3 Subsection 5. However, where the following circumstances exist, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:
  - 4.1 If the related party has obtained the original construction, it may provide evidence that it meets one of the following conditions:
    - 4.1.1 Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - 4.1.2 Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sales or leasing practices.
  - 4.2 The Company may provides evidence to prove that the terms of the target real property or obtaining real property right-of-use

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assets through leasing are similar to the terms of a similar transaction by an unrelated party transaction within the previous one year for similar size property in the neighborhood where the target property is located. The term “similar transaction for the property in the neighborhood” used in the above Paragraph means in principle the property which is the subject matter of such transactions (“Reference Property”) and the subject real property are on the same street or a nearby block within a distance of less than 500 meters; or the Government Announced Current Value of the subject property is similar to the Government Announced Current Value of the Reference Property. The term "similar size" means in principle that size of the target property for such transaction by non-related party transaction is not less than 50% of the size of the subject real property. The term "within the previous one year" means within the one-year period prior to the date on which acquisition of the subject real property or right-of-use assets thereof occurs.

5. The Company and the investments of the Company are appraised by equity valuation, and public companies are subject to the special reserve mentioned above, such special reserve may not be utilized until the Company has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, the special reserve may be used with the consent of the Securities and Futures Bureau of the Financial Supervisory Commission.
  - 5.1 The Company shall set aside the special reserve in accordance with Section 1, Article 41 of the Securities and Exchange Act for the difference between the transaction price of real estate or related right-of-use assets and the assessed cost, and shall not distribute or transfer the capital into shares. If the investor is a public company, it shall also set aside a special reserve in accordance with Section 1, Article 41 of the Securities and Exchange Act, in proportion to the amount of its shares held.
  - 5.2 The Company has set up an audit committee, and the independent directors of the audit committee shall handle the subject matter pursuant to Article 218 of the Company Law.
  - 5.3 The Company shall report how it handle the preceding two Items to the shareholders’ meeting and disclose the details of the subject transaction in the annual report and prospectus.
6. If the Company obtains the real estate or related right-of-use assets from the related parties, the following situations shall be handled in accordance with the relevant assessment and operational procedures set

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forth in Item 1 and Item 2 of this Article. The relevant assessment provisions of Item 3 (1), (2) and (3) of this Article shall not apply:

- 6.1 The related parties acquire the real estate or related right-of-use assets through inheritance or gift.
  - 6.2 It has been more than five years since the date of this agreement when the parties hereto acquired the real estate or related right-of-use assets.
  - 6.3 Enter into a joint construction contract with the related party, or obtain the real estate by inviting the related party to build the real estate by engaging others to build on its own land, engaging others to build on rented land, etc.
  - 6.4 The public company and the parent company or its subsidiaries, or those subsidiaries which directly or indirectly hold 100% of the issued shares or total capital, shall acquire the right to use the real estate assets for business purposes.
7. If the Company acquires the real estate or related right-of-use assets from the related parties and other evidence shows that the transaction is out of line with business practices, the Company shall also deal with it in accordance with Paragraph (5) of Section 3 of this Article.

Article 10 The procedures for acquiring or disposing of intangible assets or related right-of-use assets or membership cards

I. Evaluation And Operational Procedures

If the Company acquires or disposes of intangible assets or related right-of-use assets or membership cards, it shall follow the fixed assets circulation procedure of the Company's internal control system.

II. Procedures for determining trading conditions and authorization quotas

1. To acquire or dispose of membership cards, an analysis report shall be prepared and submitted to the general manager with reference to the fair market price, the decision of trading conditions and trading prices. If the amount is less than 1% of the paid-up capital or NT\$ 3 million, the report shall be submitted to the general manager for approval and shall be submitted to the Board of Directors at the latest meeting afterwards. If the amount exceeds NT\$ 3 million, it must be approved by the Board of Directors.
2. Acquisition or disposal of intangible assets or related right-of-use assets, should refer to the expert assessment report or fair market value, resolution trading conditions and market price, and submit an analysis report to the Chairman. If the amount is less than the ten percent in the paid-in capital or NT\$ 20 million, it shall be submitted to the Chairman for approval and shall be reported at the latest board meeting afterwards. If the amount exceeds NT\$ 20 million, it must be approved by the Board of Directors.

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3. The acquisition or disposal of assets by the Company shall be subject to the approval of the audit committee in accordance with the prescribed procedures or other legal provisions before being submitted to the Board of Directors for discussion and approval. The Company shall send the minutes of the directors' dissenting meeting to the shareholders' meeting for discussion if any director objects and there is a record or written statement.

**III. Performing department**

When the Company obtains or disposes of intangible assets or related right-of-use assets or membership cards, it shall submit the approval according to the jurisdiction of the preceding paragraph, and the user department, financial department or administrative department shall be responsible for the implementation.

**IV. The evaluation report by professionals towards intangible assets or related right-of-use assets or membership cards.**

1. If the transaction amount of membership cards acquired or disposed of by the Company is 1% of the paid-in capital or more than NT\$ 3 million, the Company shall ask the expert to issue the appraisal report.
2. If the intangible assets or related right-of-use assets acquired or disposed of by the Company amount to 10% of the paid-in capital or more than NT\$ 20 million, an appraisal report shall be issued by an expert.
3. Where the Company acquires or disposes of intangible assets or related right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$ 300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. The CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.

Article 11 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, Section 1, Paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12 The processing procedure of acquiring or disposing of a financial institution's claim(s)

In principle, the Company shall not be involved in any transaction of acquiring or disposing of a financial institution's claim(s). If the Company intends to engage in any transactions of acquiring or disposing of a financial institution's claims(s)

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in the future, it shall submit the transaction to the Board of Directors for approval and then stipulate the evaluation and processing procedure.

**Article 13 Processing procedures for acquiring or disposing of derivatives**

**I. Trading principles and strategies**

**1. All categories of transactions**

- 1.1 In principle, the Company will not use derivatives trading. Financial derivatives referred to herein are forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables, or hybrid contracts combining the above contracts, or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 1.2 The related matters of transactions of bond margins shall be subject to the related rules of these procedures. Conducting bond transactions with Repurchase conditions may not apply to this this operation principle.

**2. Management (Hedge) Strategy**

The Company conducting financial derivatives transactions shall be for the purpose of hedging, and shall choose the Financial derivatives products which can be mainly used for hedging the risks from the Company business management. The currency held must correspond to the Company's foreign currency demands for realistic export-import transactions, and shall achieve self-square-off of the Company's integral internal position (only foreign currency revenue and expenditures) as the principle, in order to reduce the Company's integral foreign exchange risk and to save foreign exchange operation costs. Other specific purpose transactions shall be conducted only after being evaluated carefully and submitted for the approval of the Board of Directors.

**3. Division of authority and responsibility**

**3.1 Financial department**

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3.1.1 Traders

3.1.1.1 In charge of drafting the whole company's financial products transactions' strategy.

3.1.1.2 Traders shall regularly calculate the position bi-weekly, collect market information, process trend judgment and risk assessment, and draw up an operation strategy, after the approval of the delegation of authority, which shall be the basis of conducting the transactions.

3.1.1.3 To conduct transactions according to the authorized authority and existing strategy.

3.1.1.4 If there are any major changes in the financial market, the existing strategy shall not be applied at the trader's discretion, and the assessment report shall be presented promptly with re-drafting of the strategy. After the approval of the President, the strategy shall be the basis of conducting the transaction.

3.1.2 Accountants

3.1.2.1 To conduct transaction confirmation.

3.1.2.2 To check if the transaction is according to the authorized authority and existing strategy.

3.1.2.3 To perform monthly assessment, the assessment report shall be submitted to the supervisor of the financial department, President, and Chairman of the Board.

3.1.2.4 Accounting process

3.1.2.5 To conduct reports and publications according to the rules.

3.1.3 Settlement officer

3.1.4 The delegation of authority of Derivatives

3.1.4.1 The delegation of authority of hedging transactions

The delegation of authority	Daily transaction authority	Net accumulated transaction authority
Financial Accounting supervisor	Below US\$0.5M	Below US\$1.5M (included)
President	US\$ 0.5M to 2M (included)	Below US\$ 5 M (included)
Chairman of the Board of Directors	Above US\$ 2 M	Below US\$ 10 M (included)

3.1.4.2 Other specific purpose transactions may be conducted only after submission to the Board of Directors for its approval.

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3.1.4.3 The Company shall acquire or dispose of the assets in accordance with the procedures for acquiring and disposing of the assets or other applicable laws, and such procedures shall be approved by the Audit Committee. After the procedures have been approved by the Audit Committee, they shall be submitted to the Board of Directors for its approval. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Shareholder's Meeting for their discussion.

3.2. Audit department

To be responsible for understanding the legitimacy of the internal control of derivatives transaction, and checking the compliance situation of the operation procedures of the transaction department, and analyzing the transaction cycle, and preparing the audit report. If there are any material defects, the audit department shall report to Board of Directors.

3.3 Performance Assessment

3.3.1. Hedging Transactions

3.3.1.1 The gains and losses between the Company's book exchange rate cost and the conducting of derivatives transaction as the basis of the Performance assessment.

3.3.1.2 In order to totally grasp and express the assessment risk of transaction, company evaluates the gains and losses by way of a monthly balance evaluation.

3.3.1.3 The financial department shall provide the President with a foreign exchange position assessment, and foreign exchange market trend and market analysis as the management reference and directions.

3.3.2 Specific purpose transaction

The actual gains and losses shall be the basis of the performance assessment. The accounting staff must periodically prepare the position reports supplying the management staff as a reference.

3.4 The setting of the total contract amount and limit of loss

3.4.1 Total contract amount

3.4.1.1 Hedging transaction facility

The financial department shall grasp the Company's total positions to avoid transaction risks. The hedging transaction amount shall not exceed two thirds of the total net profit position as the limit.

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If it exceeds two thirds of the same, it shall be submitted to the President for approval.

3.4.1.2 Specific purpose transaction

Based on the prediction of the market changing condition, the financial department shall draft the strategy according to the necessity, and proceed according to the aforesaid strategy only upon submission to the President and Chairman of the Board for their approval. The total contract amount of the Company's total net accumulation position under specific purpose transactions shall be limited to USD 10 Million. Any amount exceeding the aforesaid limit shall not be approved until the Board of Directors allow it and it complies with the strategic directions.

3.4.2 The setting of the loss limit

3.4.2.1 Related to hedging transactions, the purpose is risk aversion, thus there is no need to set the loss limit.

3.4.2.2 If it is a contract for a specific purpose transaction, after establishing the position, a stop loss limit shall be set to prevent excess losses. The setting of the stop loss limit shall not exceed 10% of the transaction contract amount as the limit. If the loss amount exceeds 10% of the transaction contract amount, it shall be reported to the President immediately and reported to the Board of Directors to discuss the necessary corresponding measures. Individual contract loss amounts shall not exceed USD 20,000 or 5% of the transaction contract amount, whichever is lower, as the loss limit.

3.4.2.3 The maximum limit of the transactional operation's yearly loss under the Company's specific purpose shall be USD\$0.3 million.

II. Risk management measures

1. Credit Risk management

Multiple factors of variation in the market can easily cause operational risk to financial derivatives, thus, market risk management shall proceed with the following principles:

- 1.1. Counterparty: mainly for domestic and well-known foreign financial institutions.
- 1.2. Transaction products: limited to those products provided by domestic and well-known foreign financial institutions.
- 1.3 Transaction amount: non charge-off transaction amount of the same counterparty, shall not exceed the limit of 10% of the total



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authorized amount, but the foregoing limit shall not apply if the President's approval has been acquired.

2. Market Risk Management

Mainly for the public foreign exchange market provided by bank(s), not considering the futures market for the time being.

3. Liquidity Risk Management

In order to ensure the market liquidity, it shall mainly choose the financial products with higher liquidity (i.e. those financial products that can self-square-off at any time). The entrusted financial institution must have sufficient information and capability to conduct transactions in any market at any time.

4. Cash Flow Risk Management

To ensure the Company's stability of working capital turnover, the capital source of the Company's derivatives transactions shall be limited to a private enterprise's own capital, and the operation amount shall consider the capital demands of cash receipts and disbursements forecast in the next three months.

5. Operation Risk management

5.1 It shall comply with company's authorized facility amount, operation procedures, and integrated internal audits to avoid Operational Risk.

5.2 A trader conducting derivatives may not act concurrently as the confirmation and settlement operation personnel.

5.3 The personnel who evaluate, supervise, or control risks and the personnel of the preceding clause shall belong to different departments, and shall report to the Board of Directors or some senior supervisor who is not responsible for the decision of the transaction or position.

5.4 Derivatives trading positions held shall be evaluated at least once per week. However, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

6. Product Risk Management

Internal traders shall have complete and correct professional knowledge towards financial products, and request the Bank to disclose the risks thoroughly to avoid the risks of misuse of financial products.

7. Legal Risk Management

The official execution of documents between financial institutions shall be previously reviewed by the foreign exchange and legal professionals or a legal advisor, to avoid legal risks.

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III. Internal Audit System.

The internal audit personnel shall periodically make a determination on the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, it shall be notified to the independent director and Audit Committee in writing.

IV. Regular evaluation methods

1. The Board of Directors shall authorize top management personnel to periodically supervise and estimate if conducting derivatives transactions is duly following the transaction procedures set by the Company, and if the risks borne are within the permitted tolerance scope, and if there is an unusual situation of the market price estimate report (e.g. the holding position has exceeded the loss limit), they shall immediately report to the Board of Directors and adopt the corresponding methods.
2. Derivatives trading positions held shall be evaluated at least once per week. However, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

V. The supervising and managing principle of the derivatives trading by the Board of Directors

1. The Board of Directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk and the managing principle as follows:
  - 1.1 Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these regulations and the procedures for engaging in derivatives trading formulated by the Company.
  - 1.2 While supervising the situation of transactions and its gains and losses, if any unusual events are discovered, the necessary reaction measures shall be adopted and shall immediately reported to the Board of Directors, if there are independent directors set up in the Company, the independent directors shall be present at the Board of Directors meeting and express their opinions.
2. Periodically assess the performance of derivatives transactions to see if they are meeting the management strategy, and if the risks borne are within the permitted tolerance scope.
3. The Company shall report at the earliest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its procedures for engaging in derivatives trading.

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4. When the Company conducts derivatives transactions, the Company shall set up a memorandum book, detailedly recoding the type and amount of derivatives transactions, the passing date of the Board of Directors' resolutions, and those prudentially-assessed matters in paragraph (2) Section 4, paragraph (1), and (2) Section 5 of this Article in the memorandum book for reference.

Article 14 The processing procedures for merger, split-up, or acquisition or the assignment of shares

I. Assessment operation procedures

1. When conducting a merger, split-up, or acquisition or the assignment of shares, the Company shall commission lawyers, CPAs, and subscribers to perform joint research on the anticipated time table of legal procedures, and to organize a task force to execute it according to the legal procedures. And before the resolution of the Board of Directors, the Company shall commission lawyers, CPAs and security subscribers to express their opinions on the reasonableness of the Exchange Ratio, purchasing price, or the cash or other assets allocated to shareholders and report this to the Board of Directors meeting for discussion and resolution. But if a Public company is merged with its subsidiary who holds 100% of the issued shares or capital amount directly or indirectly owned by that Public company, or the merger is between any Public company's subsidiary who holds 100% of the issued shares or capital amount directly or indirectly owned by that Public company, the abovementioned professionals' opinion on reasonableness may be waived.
2. The Company shall create some shareholders' public documents, including the major provisions of merger, split-up, or acquisition and related matters when the meeting of shareholders is held and together with the professionals' opinions in paragraph (1) section 1 of this Article and the Shareholders' Meeting notice, and deliver the above documents to the shareholders to be a reference of agreement or disagreement with the merger, split-up, or acquisition cases. But according to other laws, it shall not be subject to the above restrictions if the exemption of convening the Shareholders' Meeting to resolve the merger, split-up, or acquisition applies. In addition, if the shareholders meeting of each company which is participating in the merger, split-up, or acquisition can't be convened, resolved, or the bill was rejected by the shareholders meeting due to the number of shareholders attending the meeting, voting shares being insufficient, or the restriction of other laws, the companies participating in the merger, split-up, or acquisition shall immediately publicly explain the reasons, subsequent processing operations, and the expected convening date of their shareholders meetings.

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II. Other Precautions

1. Date of Board of Directors: except for when there are other stipulations by other laws or previous reports for the competent authority's approval for special reasons, the Companies which are participating in the merger, split-up, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the same date to resolve the merger, split-up, or acquisition and related matters. Except for where there are other stipulations by other laws or previous reports for the competent authority's approval for special reasons, the Companies which are involved in the assignment of shares shall convene a Board of Directors meeting on the same date. The listed companies or those companies who have issued stock for trading on the Taipei Exchange which are participating in the merger, split-up, or acquisition or the assignment of shares shall provide the following data as complete written records and preserve them for 5 years for examination and audit.
  - 1.1. Personnel basic data: including, before the news is disclosed to the public, all the personnel or the executive staff who are involved in the plan of the merger, split-up, or acquisition or the assignment of shares, their job title, name, ID number (if they are foreigner, his/her passport number).
  - 1.2. Important event date: including the date of the execution of Letter of Intent or Memorandum, commission of the financial or legal consultant, execution of the contract and Board of Directors, etc.
  - 1.3. Important documents and minutes: including the plan of the merger, split-up, or acquisition or the assignment of shares, Letter of Intent or Memorandum, important contract(s) and minutes of Board of Directors, or the like documents.
  - 1.4. The listed companies or those companies who issued stock for trading on the Taipei Exchange which are participating in the merger, split-up, or acquisition or the assignment of shares shall, within two days from the date the resolution passing in the Board of Directors, report to the competent authority with the regulated format through the internet information system for reference.
  - 1.5 If there are any non-listed companies or those companies who issued stock not trading on the Taipei Exchange which are participating in the merger, split-up, or acquisition or the assignment of shares, the listed companies or those companies who issued stock for trading on the Taipei Exchange shall execute the agreement with those aforementioned companies, and following the rules set forth in the Item 1.1 to 1.4 of this section.
2. Previous confidential undertaking: all personnel who are involved in or know of the plan of the merger, split-up, or acquisition or the

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assignment of shares shall present the written confidential undertakings, and before the news is disclosed to public, shall not disclose the plan's contents to others, neither by themselves or under the names of other parties, buy and sell the stocks or other equity-type securities of any company relating to the merger, split-up, or acquisition or the assignment of shares cases.

3. The Exchange Ratio or Purchasing price shall follow the setting and changing principles: The companies which are participating in the merger, split-up, or acquisition or the assignment of shares shall, before the Board of Directors, commission CPAs, lawyers, or security subscribers to address opinions about the reasonableness of the Exchange Ratio, purchasing price, or the cash or other assets allocated to shareholders and report to the shareholders meeting. In principle, the Exchange Ratio or Purchasing price shall not be altered freely, but if the alteration conditions have been set forth in the contract and disclosed to the public, those shall not be subject to the aforesaid restrictions. The condition of change in the Exchange Ratio or Purchasing price are as follows:
  - 3.1 Process the capital increased by cash, issue convertible bonds, issuance of bonus shares, issue corporate bonds with warrants, preferred shares with warrants, share subscription warrants, and other equity-type securities.
  - 3.2. Dispose of the company's material assets and other actions to affect company's financial or business part.
  - 3.3 Some major disaster, major technical change and the likeness which affects the company's shareholders' equity or the security's price.
  - 3.4 Any of the Companies which are participating in the merger, split-up, or acquisition or the assignment of shares adjusts the buying of treasury stock lawfully.
  - 3.5 The companies which are participating in the merger, split-up, or acquisition or the assignment of shares increase, decrease or change their entity or numbers of entities.
  - 3.6 The other conditions of change have been stipulated in the contract, and have been disclosed to the public.
4. Mandatory Provisions to be Included in the contract : the contract of the Companies which are participating in the merger, split-up, or acquisition or the assignment of shares shall also comply with Article 317 of the Company Act and Article 22 of the Business Merges and Acquisitions Act, and shall specify the following matters.
  - 4.1 Process Of the Event Of Default.
  - 4.2 The process principles of equity-type securities or bought back treasury stock already issued by the Company which was dismissed by the merger, or a split-up company.

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- 4.3 After the calculating Exchange Ratio base date, the quantity and the process principles of the buy-back treasury stock lawfully.
  - 4.4 The process method of the increase, decrease, or change the entity or numbers of the entity.
  - 4.5 The anticipated plan execution progress and the anticipated completion date.
  - 4.6 The plan cannot be completed within the anticipated completion date or the related process procedures regarding the anticipated convening date of the lawful convention of the Shareholders' Meeting.
5. The number of Companies which are participating in the merger, split-up, or acquisition or the assignment of shares changes: any of the Companies which are participating in the merger, split-up, or acquisition or the assignment of shares, after disclosing the information to the public, if they intend to merge, split-up, or acquire or assign shares with other companies, besides the participating entity decrease, and the Shareholders' Meeting has resolved and authorized the Board of Directors to change the number, the participating company can waive the convention of the Shareholders' Meeting again, and the participating company shall re-join the undergoing or completed procedures or legal actions of the original merger, split-up, or acquisition or the assignment of shares.
  6. If there is a non-public company as one of the Companies which are participating in the merger, split-up, or acquisition or the assignment of shares, such Company shall sign an agreement with them, and follow the rules such as paragraph (1) Section 2 of this Article, the convention date of the Board of Directors, paragraph (2), previous confidential undertakings, and paragraph (5), the number of Companies which are participating in the merger, split-up, or acquisition or the assignment of shares changes.

**Article 15 The Information Public Disclosure Procedure**

- I. Public Announcement Items and the Public Announcement Requirements
  1. When the Company intends to acquire or dispose of real property or related right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or related right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$ 300 million or more. The following shall not be subject to the restrictions: buying and selling domestic government bonds, repurchasing agreements, reverse repurchase agreements, and buying or repurchasing money market funds issued by domestic Securities Investment Trust Enterprises.

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2. To proceed with the merger, split-up, or acquisition or the assignment of shares.
3. The loss of the derivatives transaction achieve the loss limit of all or separate contracts set forth in the processing procedures.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
  - 4.1 Public company with Paid-up capital less than NT\$ 10 billion, and with the transaction amount more than NT\$ 500 million.
  - 4.2 Public company with Paid-up capital more than NT\$ 10 billion, and with the transaction amount more than NT\$ 1 billion.
5. Acquisition or disposal by the Company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$ 500 million or above; the paid-up capital amounted to NT\$ 10 billion, and the real estate was built and completed on its own, and the transaction target was not related to the person. The transaction amount was NT\$ 1 billion or more.
6. Acquisition of real estate by way of contracting third parties to construct on land owned or leased by the Company, distribution of building under joint construction project, distribution of profit under joint construction project, or selling building under joint construction project with non-related parties, and the amount expected to be invested in the transaction by the Company reaches NT\$ 500 million or above.
7. Except for the preceding six paragraphs, the asset transactions, the disposition of obligatory rights by financial institutions or investment in China's area, and if the transaction amount reaches 20% of company's paid-up capital or more than NT\$ 300 million. But the following shall not be subject to the restrictions:
  - 7.1 Trading of domestic government bonds
  - 7.2 Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of 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.
  - 7.3 Buying and selling the repurchase agreement, reverse repurchase agreement, and buying or repurchasing money

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market funds issued by domestic Securities Investment Trust Enterprises.

8. If the calculation of the transaction amount in the preceding paragraph 7 is as follows, and the so-called “within 1 year” is based on this transaction and traces back to 1 year, the part announced in the following rules shall not be included.
  - 8.1 The amount of any individual transaction.
  - 8.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
  - 8.3 The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or related right-of-use assets thereof within the same development project within the preceding year.
  - 8.4 The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year

**II. Time limit for publication and filing**

The assets acquired or disposed of by the company, if the publication items in section 1 of this Article and transaction amount achieve the publication and filing standard of this Article, it shall proceed with the publication and filing within 2 days from the occurrence day.

**III. Publication and filing procedures**

1. The Company shall forward the related information to the specified website of the Securities and Futures Bureau for publication and filing.
2. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
3. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
4. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
5. After the Company performs publication and filing for the transaction according to the preceding article, if there are any of the following situations, it shall forward the related information to the specified



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website of the Financial Supervisory Commission for publication and filing within 2 days from the occurrence day:

- 5.1 The related executed contracts under the original transactions are altered, terminated, or rescinded.
- 5.2 The merger, split-up, acquisition or the assignment of shares changes can't be completed on the scheduled date of the contract.
- 5.3 The original contents of the publication and filing have changed.

Article 16 The subsidiary of the company shall follow the following rules:

- I. The subsidiary shall stipulate the “Processing procedure of the Acquisition and Disposal of Assets” according to the related rules of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”
- II. The Acquisition and disposal of Assets by subsidiaries shall also comply with the Company’s rules.
- III. For information required to be publicly announced and reported in accordance with Article 15 Paragraph 1 and Paragraph 3 Subsection 5 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies on acquisitions and disposals of assets by one of the Company's subsidiaries that is not a public company, the parent company shall report such information on behalf of its subsidiary.
- IV. Where the subsidiary is subject to the information disclosure requirement in connection with the paid-in capital or the total assets, such requirement means the amount of acquisition or disposal of the Company’s paid-in capital or the Company’s total assets.

Article 17 Penalties

If the acquisition and disposal of assets by the company’s staff violates the rules of the “Processing Procedures for the Acquisition and Disposal of Assets”, it shall be regularly report for submission and examination according to the Company’s human resources management regulations and employee manual, and the punishment is in accordance with the seriousness of the case.

Article 18 Implementation and Amendment

The Company’s “Processing Procedures for the Acquisition and Disposal of Assets” shall be passed by the Audit Committee and sent to the Board of Directors for discussion and approval, and submitted to the Shareholders’ Meeting for approval and Implementation, and also any Amendments. If any directors raise objections with the records or written statements, the company shall pass the minutes of the Board of Directors with objections to the Shareholders’ Meeting for discussion.

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Article 19    Supplementary provisions

If there are any matters not mentioned herein in this Processing procedure, they shall be dealt with according to the applicable laws, rules and regulations.