

# SinoPac Financial Holdings Company Limited

## Minutes of 2019 Annual General Shareholders' Meeting

(Summary Translation)

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(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.)

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**Time/Date:** Friday, June 14, 2019 at 9:00 AM (Taipei time)

**Venue:** Auditorium at 13F, No. 36, Sec. 3, Nanjing E. Road, Taipei, Taiwan

**Attendance:** The total amount of common shares outstanding is 11,271,054,106. Common shares represented by shareholders present in person and by proxy (including 4,253,404,506 shares represented by shareholders exercising voting rights electronically) are 8,582,081,123 shares, accounting for 76.14% of the total common shares outstanding. The total amount of preferred shares outstanding is 10,000,000. Preferred shares represented by shareholders present in person and by proxy are 10,000,000 shares, accounting for 100% of the total preferred shares outstanding.

**Attendance list of the Board of Directors:**

Director : Stanley CHU, CHIU Cheng-Hsiung, CHEN Chia-Hsien, HO Yi-Da,  
YE H Chi-Hsing

Independent Director : James J. SHEU, SCHIVE Chi, TSAI Ying-Yi

**Observers:** Yesin CHEN(Attorney-at-Law), HUANG, Cheng Chieh(Attorney-at-Law) ,  
Edgar TIEN(Attorney-at-Law), WU, Yi-Chun(CPA)

**Chairman :** ONG Wen-Chyi, Chairman of the Board of Directors

**Recorder:** Jenny HUANG

- 1. Chairman called the meeting to order:** The Chairman announced that a quorum under the Company Act is present (including the shares represented by the shareholders present in person and by proxy together with the shares represented by the shareholders exercising voting rights electronically) and called the meeting

to order.

## **2. Chairperson's Statements (omitted).**

## **3. Reporting Items**

### **Proposal 1: Business Reports for year 2018**

**Explanation:** The 2018 Business Report is attached hereto as Attachment 1.

(1) The President provides further information on the business operation of the Company and its primary subsidiaries.

(2) Summary of Shareholder's Speech:

The chairman and designated persons respond to shareholder account number 88255's remarks about Company's intention to disclose financial forecast and projection, the Company's ranking in the 2018 corporate governance evaluation, and clarification on a breach of trust lawsuit against a former management personnel.

(Noted)

### **Proposal 2: Audit Committee's Review Report on Financial Statements for year 2018**

**Explanation:** The 2018 Audit Committee's Review Report on Financial Statements is attached hereto as Attachment 2.

(1) On behalf of the Audit Committee, Independent Director James J. SHEU read out the Committee's Review Report (to everyone in the shareholders' meeting).

(2) Independent Director James J. SHEU, convener of the audit committee, reported the communications between the independent directors and the supervisor of internal audit: In the 2018 fiscal year, the independent directors and the supervisor of internal audit communicated annual audit plan, internal and external audit findings, audit tracking report, and related assignments via 12 board meetings, 8 audit committee meetings, and 1 board of director symposium.

The independent directors contributed fully in all meetings, which the records were saved. Moreover, the audit division and relevant divisions were assigned to follow up the resolutions. All independent directors and the audit committee have established a communication channel with the chief auditor in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

(Noted)

### **Proposal 3: Distribution of compensation for employees and directors for year 2018**

#### **Explanation:**

- A. Based on Paragraph 2 of Article 36 of the Articles of Incorporation, distribution of compensation for employees and directors shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting.
- B. Based on Paragraph 1 of Article 36 of the Articles of Incorporation, for a profitable year, the Company shall set aside 0.01 % for employees' compensation and 1% for directors' compensation. For the soundness of the Company's continuing operation, the Company's accumulated losses shall first be covered before distributing the compensation. And according to Paragraph 3 of Article 36, the Company shall deduct and set aside an amount equal to the cumulative losses (if any) from its profit before taxes before calculating employees' and directors' compensation.

Distribution of compensation for employees and directors for year 2018:

- a. The Company set aside NTD1,000,000 for compensation for employees, 0.011% of the profits following aforementioned calculation, and were distributed in cash.
  - b. The Company set aside NTD27,500,000 for compensation for directors, 0.293% of the profits following aforementioned calculation.
- C. This proposal was approved at the 1st and 2nd meeting of the 3rd Term Compensation Committee and the 1st , 2nd and 3rd meeting of the 6th Term Board of Directors in 2019.

(Noted)

#### **4. Ratification Items**

### **Proposal 1: Business Reports and Financial Statements for year 2018**

#### **Explanation:**

- A. The 2018 Financial Statements of the Company, were audited by Wu, Yi-Chun CPA and Kuo, Cheng-Hung CPA, both of Deloitte & Touche, Taiwan who issued an unmodified opinion report.
- B. The aforementioned Business Reports and Financial Statements were approved at the 3rd meeting of the 6th Term Board of Directors in 2019 and examined by the Audit Committee.
- C. The 2018 Business Reports and Financial Statements are attached hereto as Attachment 1.

The Chairman appointed shareholder CHEN Chiu Ya ( shareholder account number: 527813) and shareholder LIN Pei Jung (shareholder account number: 934212) as the monitoring personnel for discussion and Ratification items , and appointed personnel from the Register and Transfer Agency Division at SinoPac Securities as the counting personnel.

### **Resolutions :**

The number of shares represented by the shareholders present at the time of voting was 8,580,979,484. The voting result revealed that 7,414,227,611 votes were cast in favor of the proposal (including 3,280,263,154 votes cast electronically), accounting for 86.40% of the total attending voting shares, whereas 1,932,654 votes were cast opposing the proposal (including 1,932,654 votes cast electronically), accounting for 0.02% of the total attending voting shares . There was no spoilt vote, accounting for 0.00% of the total attending voting shares . 1,164,819,219 votes were abstained or refrained (including 971,208,698 votes cast electronically), accounting for 13.58% of the total attending voting shares . Given the votes in favor of the proposal were beyond the quorum required, the proposal was approved as proposed.

### **Proposal 2: Proposal for distribution of 2018 earnings**

#### **Explanation:**

- A. The beginning retained earnings of the year 2018 was NTD299,045,218, after adding NTD126,702,117 of retained earnings adjustment by applying IFRS 9, adding NTD33,886,593 on the disposal of investments in equity instruments measured at fair value through other comprehensive income, deducting NTD156,560,607 on the 2018 remeasurement of defined benefit plans, adding 2018 after-tax profit of NTD9,428,418,779 and setting aside legal reserve of NTD942,841,878, special reserve of NTD345,632,970, the distributable retained earnings was NTD8,443,017,252.
- B. Based on the Articles of Incorporation, proposal for distribution of 2018 earnings is as follows :
  - a. Cash dividends of Common Stock: NTD7,168,390,412 (NTD0.636 per share)  
The amount of cash dividends per share shall be calculated and truncated to NTD1. The fractional amounts of dividends less than NTD1 are summed to be recognized as other income of the Company.
  - b. Unappropriated retained earnings: NTD1,274,626,840
- C. In accordance with Article 66-9 of the Income Tax Act, the after-tax profit and other comprehensive income of 2018 shall be applied first for the purpose of the distribution of earnings.

- D. In the event the number of outstanding shares to be affected by, buyback of shares, conversion of preferred stocks to common stocks, disposal of shares by shareholders, etc., it is proposed that the Board of Directors be authorized to adjust the cash to be distributed to each share.
- E. The Company issued Class A preferred shares on May 15, 2009, based on the Articles of Incorporation, dividends of class A preferred shares NTD1,044,000 was recognized as interest expense of 2018.
- F. This proposal was approved at the 3rd meeting of the 6th Term Board of Directors in 2019 and reviewed by the Audit Committee.
- G. The Distribution of 2018 earnings is attached hereto as Attachment 3.

### **Resolutions :**

The number of shares represented by the shareholders present at the time of voting was 8,580,979,484. The voting result revealed that 7,449,738,475 votes were cast in favor of the proposal (including 3,315,774,018 votes cast electronically), accounting for 86.81% of the total attending voting shares , whereas 2,193,546 votes were cast opposing the proposal (including 2,193,546 votes cast electronically), accounting for 0.02% of the total attending voting shares . There was no spoilt vote, accounting for 0.00% of the total attending voting shares . 1,129,047,463 votes were abstained or refrained (including 935,436,942 votes cast electronically), accounting for 13.17% of the total attending voting shares . Given the votes in favor of the proposal were beyond the quorum required, the proposal was approved as proposed.

## **5. Discussion Items**

### **Proposal 1**

### **Proposed by the board of directors**

Proposal : Proposal moves for amending the Company's "Procedures for the Acquisition or Disposal of Assets"

Explanation:

- A. The Procedures for Acquisition or Disposal of Assets (the Procedures) are amended in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (the Regulations) issued by the Financial Supervisory Commission on November 26, 2018.
- B. The amendments are as follows:
  - (A) Related provisions are amended in accordance with the amendments to International Financial Reporting Standards (IFRS):
    - a. IFRS 16 "Leases":
      - (a) The scope of right-of-use assets is newly defined in accordance with IFRS 16 "Leases" taking effect in the Republic of China starting from 2019. (Articles 2, 5,

- 8, 8-1, 8-2, 9, 11, and 14 were amended)
- (b) Considering that listed companies and their parent companies and subsidiaries, or companies of which the listed companies directly or indirectly hold 100% of their shares may, due to overall business planning, have or need to collectively purchase or lease machinery or equipment for business use for subsequent transfer (sale or sublease) or lease real estate for subsequent sublease, and such transaction risks are relatively low, the equipment and its right-of-use assets or real estate right-of-use assets acquired or disposed of for business use between the aforesaid companies are exempt from the evaluation of the reasonableness of transaction costs. (Article 8-1 was amended)
  - (c) When acquiring right-of-use assets of real estate through leasing from a related party, the Company may refer to the transactions involving neighboring real estate by unrelated parties within the preceding year to calculate and estimate the reasonableness of transaction prices. In response to practical business operation of leasing of real estate such as factory, the scope of reference cases has been loosened. (Article 8-2 was amended)
  - b. The scope of derivatives is defined in accordance with IFRS 9 "Financial Instruments." (Article 4 was amended)
- (B) To improve the quality of information disclosure and loosen the disclosure of information on some transactions:
- a. Defined the scope of investment professionals and loosen the disclosure of information on some transactions:
    - (a) Considering that futures commission merchants operating proprietary trading business, securities investment trust enterprises, and securities investment consulting enterprises are professional securities investors which are likely to trade in securities frequently for hedging needs or their own fund usage needs, the scope of investment professionals is defined according to the Order Tai-Cai-Zheng-Yi-Zi No. 0920001151 issued by the Securities and Futures Commission, Ministry of Finance on March 21, 2003 and Article 3 of the "Regulations Governing Offshore Structured Products," which defined the scope of institutional investors and investment professionals. (Article 4 was amended)
    - (b) Considering that investment professionals frequently subscribe in ordinary corporate bonds with simple nature in the overseas primary market; and frequently subscribe in or redeem public offering funds (offshore funds excluded), and securities investment consulting enterprises and futures trust enterprises are regulated by the Financial Supervisory Commission, investment professionals are exempt from announcing the trading in the aforesaid securities. (Article 11 was amended)

- b. The standards for announcements and reporting applicable to subsidiaries should be consistent with those of their parent company; for companies whose shares have no par value or a par value other than NT\$10, the standards for announcements and reporting are also set. (Article 13 was amended)
- (C)The responsibility and passive qualifications of external experts are defined in accordance with the Order Tai-Cai-Zheng-Yi-Zi No. 0920001151 issued by the Securities and Futures Commission, Ministry of Finance on March 21, 2003; Subparagraph 4, Article 53 of the Securities and Exchange Act; Subparagraph 15, Paragraph 1, Article 8 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers." The evaluation, audit, and statement of appraisal reports or opinions provided by external experts are also defined in accordance with Article 9 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." (Article 6 was amended)
- (D)Others
- a. For acquisition or disposal of assets by listed financial institutions, such as banks, insurance companies, bills enterprises, and securities and futures enterprises, laws and regulations of their respective industries shall take precedence over the Procedures. (Article 1 was amended)
  - b. To specify the purpose of the Procedures and standardize terms used in the Procedures, the scope of securities exchange and over-the-counter venue is defined respectively; subjects and institutions referred to in the Procedures include both domestic and overseas ones, with exceptions specified separately. (Articles 4, 5, 8, and 11 were amended)
  - c. When matters take place before the amendments to the Procedures are made in accordance with the Regulations, the Regulations shall prevail. (Article 18 was amended)
- C. The table comparing the Procedures prior to and after the proposed revision, and for the draft amendment to the Procedures are attached hereto as Attachment 4.

**Resolutions :**

The number of shares represented by the shareholders present at the time of voting was 8,580,979,484. The voting result revealed that 7,441,505,044 votes were cast in favor of the proposal (including 3,307,488,359 votes cast electronically), accounting for 86.72% of the total attending voting shares , whereas 2,049,080 votes were cast opposing the proposal (including 2,049,080 votes cast electronically), accounting for 0.02% of the total attending voting shares . There was no spoilt vote, accounting for 0.00% of the total attending voting shares .1,137,425,360 votes were abstained or refrained (including 943,867,067 votes cast electronically), accounting for 13.26% of the total attending voting shares . Given the votes in favor of the proposal were

beyond the quorum required, the proposal was approved as proposed.

**Proposal 2** **Proposed by the shareholder and reviewed by the board of directors in accordance to the laws and included as an agenda**

Proposal: The shareholder's proposal in accordance with Article 172-1 of the Company Act.

Explanation:

A. PJ Asset Management Co., Ltd. made the following proposal in accordance with Article 172-1 of the Company Act:

Proposal: Amendment to the Articles of Incorporation proposed by the shareholder in accordance with Article 172-1 of the Company Act

Explanation:

I. Article 17 of the Articles of Incorporation is amended to strengthen corporate governance and achieve sustainable development in line with an international framework of diversified Board members.

II. The comparison table of the Articles of Incorporation before and after the amendment is as follows:

Article	After the Amendment	Before the Amendment	Explanation
Article 17	The Company shall have a Board comprising seven (7) to eleven (11) members...(omitted). Directors shall be elected from among the list of candidates for Directorship by the shareholders' meetings in accordance with the laws. However, starting from the 7th-term of the Board of Directors, the Company shall have a Board comprising nine (9) to	The Company shall have a Board comprising seven (7) to eleven (11) members...(omitted).	1. Article 17 is amended to strengthen corporate governance and achieve sustainable development in line with an international framework of diversified Board members.  2. A proviso that starting from



	fifteen (15) members...(omitted).		the 7th-term of the Board of Directors, the Company shall have a Board comprising nine (9) to fifteen (15) members is added.
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B. Please proceed to resolve on the proposal.

Summary of Shareholder’s Speech:

The chairman and designated person respond to shareholder account number 304056’s request for clarification on this discussion item.

**Resolution:** The number of shares represented by the shareholders present at the time of voting was 8,580,979,484. The voting result revealed that 896,021,917 votes were cast in favor of the proposal (including 654,825,943 votes cast electronically), accounting for 10.44% of the total attending voting shares , whereas 6,596,994,682 votes were cast opposing the proposal (including 2,517,167,250 votes cast electronically), accounting for 76.87% of the total attending voting shares . There was no spoilt vote, accounting for 0.00% of the total attending voting shares .1,087,962,885 votes were abstained or refrained (including 1,081,411,313 votes cast electronically), accounting for 12.69% of the total attending voting shares . Given the votes in favor of the proposal did not exceed the quorum required, the proposal was not passed.

**6. Questions and Motions**

Summary of Shareholder’s Speech:

The chairman and designated persons respond to shareholder account number 304056’s remarks about not being able to contact the spokesperson via the operator, job assignment and compensation of certain management staff, complaints from former management regarding unfair treatments as a result of whistleblowing, the steps the Company took to handle the whistleblowing incident, and the Company’s whistleblowing system.

**7. Adjournment** : at 9:59 AM the same day.

(The Minutes only reflected the main contents of the meeting. Please refer to the recording for the exact contents and proceeding of the meeting.)

Chairman: ONG Wen-Chyi, Chairman of the Board of Directors

Minutes taken down by Jenny HUANG