

# GCS Holdings, Inc.

## 2019 Annual General Meeting\*

Time: 9:00 a.m., Wednesday, June 5, 2019 (Taiwan Time)

Place: B2F., No. 716, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (Far East Century Plaza)

Present:

Total shares represented by Members present in person, by proxy or by electronic transmission: 54,692,959

Total issued and outstanding shares: 89,370,022

Percentage of shares held by Members present in person, by proxy or by electronic transmission: 61.19%

Directors in Attendance:

Ta-Lun Huang, Chairman of the Company (“**Chairperson**”); Ann Bau Hsing, Director and CEO; Jian-Jang Huang, Independent Director

In Attendance:

Tien-Yi Li, the certified public accountant of PricewaterhouseCoopers Taiwan; Mei-Jung Huang, the attorney of CrownPro Attorneys-at-Law.

One. Chairperson noted that a quorum of Members was present in accordance with applicable laws. Accordingly, he declared the meeting duly convened and constituted. (Remarks omitted)

Two. Report Items

### 1. **Business Report of 2018**

Explanations: Business Report of 2018 is attached as Exhibit 1, pages 24-25 of the Handbook for 2019 Annual General Meeting (the “**Handbook**”) and briefed by Ann Bau Hsing, Director and CEO.

### 2. **Audit Committee Report of 2018**

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\* Notes: English version of this Meeting Minutes is prepared for reference purpose only. In case of any discrepancy between Chinese and English versions, the Chinese version shall prevail.

Explanations: Audit Committee Report of 2018 is attached as Exhibit 2, pages 26 of the Handbook.

### **3. Report on 2018 Employees and Directors' Compensation**

Explanations: 2018 Employees and Directors' Compensation Allocation is attached as Exhibit 3, page 27 of the Handbook.

## Three. Proposed Resolutions

### **1. The Board recommends to the Members to accept 2018 Consolidated Financial Statements and Business Report**

Explanations:

- (1) 2018 Consolidated Financial Statements of the Company including Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, and Consolidated Statements of Cash Flows, audited by Messrs. Tien-Yi Li and Chih-Cheng Hsieh ("CPAs") of PricewaterhouseCoopers Taiwan, along with the Business Report and Proposal for Earning Distribution, have been reviewed and adopted by the Audit Committee members of the Company. The Audit Committee has accordingly issued Audit Committee's Report.
- (2) The 2018 CPAs' audit report and aforementioned Consolidated Financial Statements are provided as Exhibit 4, pages 28-36 of the Handbook.
- (3) The Board recommends to the Members to accept 2018 Consolidated Financial Statements and Business Report.

Resolution:

54,692,959 shares were presented at the time of voting. 54,039,905 shares voted for the proposal, representing 98.80% of the total represented shares present. 24,073 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 628,981 shares waived or not voted, representing 1.15% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted.

### **2. The Board recommends to the Members to accept 2018 Earning Distribution Proposal**

Explanations:

- (1) 2018 Earning Distribution Proposal adopted by the Board is provided as Exhibit

5, pages 37 of the Handbook.

- (2) 2018 Earning Distribution Proposal aims to distribute retained earnings available for distribution of the year 2018. The Board recommends to distribute cash dividends in a total of TWD 106,560,751, which is TWD 1.20 per ordinary share (cash dividends will be rounded off to the nearest ones), the aggregate sum of decimals shall be recognized as the other income of the Company and the exact amount of cash dividends denominated in USD will be calculated based upon the average spot rate for buying and selling published by the Bank of Taiwan between TWD and USD on the business day of the 2019 Annual General Meeting (the “AGM”).
- (3) The Board proposes to grant the Chairman of the Company, after the 2018 Earning Distribution Proposal being accepted in the AGM, with full power and authority to handle the matters related to earning distribution on the record date for distribution pursuant to related rules and regulations and, if necessary, grant the Board with full power and authority to adjust cash dividends to be distributed to each ordinary share based on the number of actual ordinary shares outstanding on the record date for distribution.

Resolution:

54,692,959 shares were presented at the time of voting. 54,056,902 shares voted for the proposal, representing 98.83% of the total represented shares present. 25,075 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,982 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted.

Four. Discussion Items

**1. The Board recommends to the Members to adopt and approve Ninth Amended and Restated Articles of Association**

Explanations:

- (1) To comply with the latest requirements set forth in the Checklist of Shareholders’ Rights Protection promulgated by the Taipei Exchange (the “**Checklist**”) in the Republic of China (Taiwan) (the “**ROC**”), the current ROC Company Act and Securities Exchange Act, the Board of the Company proposes that the Ninth Amended and Restated Articles of Association be adopted and approved; and the current Eighth Amended and Restated Articles of Association be amended and

restated by the deletion in its entirety and be replaced by Ninth Amended and Restated Articles of Association.

- (2) Comparison Table before and after revision for Ninth Amended and Restated Articles of Association is provided as Exhibit 6, pages 38-64 of the Handbook.

Resolution:

54,692,959 shares were presented at the time of voting. 54,057,886 shares voted for the proposal, representing 98.83% of the total represented shares present. 24,086 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,987 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted by a Special Resolution.

## **2. The Board recommends to the Members to adopt and approve the Revision of Procedures for Acquisition or Disposal of Assets**

Explanations:

- (1) To comply with current ROC Regulations Governing the Acquisition and Disposal of Assets by Public Companies and to meet the actual needs of the Company, the Board of the Company proposes that the revision of Procedures for Acquisition or Disposal of Assets be adopted and approved.
- (2) Comparison Table before and after revision for Procedures for Acquisition or Disposal of Assets is provided as Exhibit 7, pages 65-79 of the Handbook.

Resolution:

54,692,959 shares were presented at the time of voting. 52,963,886 shares voted for the proposal, representing 96.83% of the total represented shares present. 1,118,083 shares voted against the proposal, representing 2.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,990 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted.

## **3. The Board recommends to the Members to adopt and approve the Revision of Procedures for Lending Funds to Other Parties**

Explanations:

- (1) To comply with current ROC Regulations Governing Loaning of Funds and Making of Endorsement/ Guarantees by Public Companies and to meet the actual

needs of the Company, the Board of the Company proposes that the revision of Procedures for Lending Funds to Other Parties be adopted and approved.

- (2) Comparison Table before and after revision for Procedures for Lending Funds to Other Parties is provided as Exhibit 8, pages 80-84 of the Handbook.

Resolution:

54,692,959 shares were presented at the time of voting. 54,057,764 shares voted for the proposal, representing 98.83% of the total represented shares present. 24,207 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,988 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted.

#### **4. The Board recommends to the Members to adopt and approve the Revision of Procedures for Endorsement & Guarantee**

Explanations:

- (1) To comply with current ROC Regulations Governing Loaning of Funds and Making of Endorsement/ Guarantees by Public Companies and to meet the actual needs of the Company, the Board of the Company proposes that the revision of Procedures for Endorsement & Guarantee be adopted and approved.
- (2) Comparison Table before and after revision for Procedures for Endorsement & Guarantee is provided as Exhibit 9, pages 85-89 of the Handbook.

Resolution:

54,692,959 shares were presented at the time of voting. 54,057,887 shares voted for the proposal, representing 98.83% of the total represented shares present. 24,084 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,988 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted.

#### **5. The Board recommends to the Members to adopt and approve the Revision of Rules and Procedures of Members' Meeting**

Explanations:

- (1) To be in line with the adoption of the Ninth Amended and Restated Articles of Association, the Board of the Company proposes that the revision of Rules and

Procedures of Members' Meeting be adopted and approved.

- (2) Comparison Table before and after revision for Procedures of Members' Meeting is provided as Exhibit 10, pages 90-96 of the Handbook.

Resolutions:

54,692,959 shares were presented at the time of voting. 54,057,880 shares voted for the proposal, representing 98.83% of the total represented shares present. 24,091 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,988 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted.

## **6. The Board recommends to the Members to adopt and approve Issuance of Ordinary Shares by Private Placement**

Explanations:

- (1) The Board of the Company proposes to issue up to 4,000,000 ordinary shares through private placement (the **"Proposed Private Placement"**) as explained below in accordance with Article 43-6, paragraph 6 of ROC Securities Exchange Act:
  - A. The Pricing Basis and Reasonableness: The price for issuing ordinary shares in the Proposed Private Placement is set to be the higher reference price determined by either calculation: The simple arithmetical average closing price of the ordinary shares of the Company on any of the first, third or fifth trading day prior to the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or the simple arithmetical average closing price of the ordinary shares of the Company for thirty trading days prior to the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. Further, the Board of Directors will be authorized, within the range resolved by the Members in the AGM of the Company, to determinate price determination date and actual issue price according to the selected investors qualifications and the market conditions.
  - B. The Method for Selecting Investors:
    - (a) The Subscriber of the Proposed Private Placement and its Relationship with the Company: The securities issued in the Proposed Private Placement will only be sold to investors with qualifications prescribed in Article 43-6 of the ROC Securities Exchange Act, relevant regulations

and rulings. The Company proposes to invite EPISTAR Corporation (the “Subscriber”), a strategic investor who will be able to assist the Company to develop new markets, expand operation scale and strengthen future operations direct or indirectly, to subscribe ordinary shares issued in the Proposed Private Placement. There are no other investor candidates. Further, EPISTAR Corporation is neither an insider nor a related party of the Company.

(b) The Purpose, Necessity and Anticipated Benefits of Selecting the Subscriber:

- i. Purpose: The objective of the Proposed Private Placement shall be strategic investors who will be able to assist the Company to develop new markets, expand operation scale and strengthen future operations direct or indirectly.
- ii. Necessity: The Proposed Private Placement should be able to enrich operating funds, strengthen capital structure and improve the Company’s operating performance.
- iii. Anticipated Benefits: Strategic investors can not only help the Company to expand the operating scale and develop new markets, but create long-term benefits to the development of the Company.

(c) The top 10 shareholders’ names and shareholding percentage of the Subscriber, and the shareholders’ relationship with the Company:

Top 10 Shareholders	Shareholding Percentage	Relationship with the Company
野村國際股份有限公司投資專戶	7.34%	No
瑞銀有限公司投資專戶	5.28%	No
美林國際公司投資專戶	2.83%	No
永豐金資本亞洲公司投資專戶	2.58%	No
新制勞工退休基金	2.45%	No
三商美邦人壽保險股份有限公司	1.55%	No
梵加德新興市場股票指數基金專戶	1.35%	No
先進星光先進總合國際股票指數	1.26%	No
泰力實業股份有限公司	1.25%	No
富邦人壽保險股份有限公司	1.15%	No

C. The Justification for the Proposed Private Placement:

- (a) The Reasons for not Adopting a Public Offering: To ensure a timely and feasible fund raising while reducing the cost of capital effectively, it is

proposed that the Company raises the fund by issuing ordinary shares through a private placement. The Board of Directors of Company, once authorization is granted, aims to increase the flexibility and efficiency of fund raising through the Proposed Private Placement based on market conditions and the needs of the Company. In addition, the securities issued in the Proposed Private Placement are subject to free share transfer restriction for a period of three (3) years, so that a long term partnership between the Company and strategic investors can be secured.

- (b) The Issue Amount of the Proposed Private Placement: The Company proposes to issue up to 4,000,000 ordinary shares in the Proposed Private Placement within one (1) year in two (2) phases starting from the date of approval by Members in the AGM of the Company.
- (c) The Use of Fund Raised and Anticipated Benefits: The fund raised from the Proposed Private Placement will be used to fund the Company's working capital, and/or equipment purchasing, and/or reinvestment. The anticipated benefits include expansion of operational scale, enhanced financial structure and strengthened market competitiveness.

(2) Rights and Obligations for the Ordinary Shares Issued in the Proposed Private Placement:

The rights and obligations are identical to the outstanding ordinary shares issued by the Company; but the transfer of such ordinary shares issued in the Proposed Private Placement shall be subject to the regulations under ROC Securities Exchange Act or related regulations. After three (3) years from the issuance of ordinary shares of the Proposed Private Placement, the Company will complete public offering and issuance and apply with Taipei Exchange for trading the abovementioned ordinary shares in the OTC market.

- (3) It is proposed that the Board to be authorized by the Members in the AGM of the Company with full power to handle main points of the Proposed Private Placement, including the actual issued shares, issued prices, selection of subscriber, price determination date, capital increase date, investment items of the plan, progress of fund using, anticipated benefits, anticipated phases and other matters not proscribed herein, which will need to be revised as a result of regulatory amendments or the evaluation of the operation or objective environmental changes.
- (4) In addition to the scope of authorization above, it is proposed that the Chairman of the Company be authorized by the Members in the AGM of the Company with full power to sign, negotiate, alter all the agreements and/or legal instruments related to the Proposed Private Placement on behalf of the Company, and handle related matters pertaining to the issuance of ordinary shares.



Resolutions:

54,692,959 shares were presented at the time of voting. 54,056,755 shares voted for the proposal, representing 98.83% of the total represented shares present. 25,219 shares voted against the proposal, representing 0.04% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 610,985 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted by a Special Resolution.

**7. The Board recommends to the Members to adopt and approve Issuance of 2019 Employee Restricted Shares and the Plan**

Explanations:

(1) The Board of the Company proposes that issue of Employee Restricted Shares (“**RS**”) as one of the stock-based compensation to award the employees be adopted and approved. The Main Points of Issuance of RS:

- A. Adoption by Board of Directors Meeting: March 15, 2019.
- B. Issue Price: The RS shall be issued at TWD 0 per share.
- C. Total Number of RS to be Issued: The total number of the RS to be issued will be 1,000,000 ordinary shares of the Company.
- D. Terms and Conditions of Issue of the RS (including methods to handle the RS under the Vesting Schedule, unvested RS awards or in the event of inheritance) according to 2019 Employee Restricted Shares Plan (the “**Plan**”):

(a) Vesting Schedule:

- i. First anniversary of the Grant Date, 50% of the total number of the granted RS.
- ii. Second anniversary of the Grant Date, 50% of the total number of the granted RS.

(b) Methods to handle the unvested RS awards or in the event of inheritance: Please See the Plan.

E. Eligible Employees:

- (a) The employees of the Company and its subsidiaries as of the Grant Date are eligible participants of the Plan. The Chairman of the Company shall nominate and determine the employees who are entitled to the RS and the number of the RS to be granted after taking into consideration factors such as work experience, seniority, job performance and overall contribution or special achievements, and then submit to the Board for

approval by a majority vote at a Board meeting attended by more than two-thirds of the total number of all directors. Any grant of the RS to an employee who also qualifies as a member of the Board and/or a managerial officer, however, requires a prior approval from the Compensation Committee before submitting to the Board for approval.

(b) The accumulative number of the RS obtained by each employee, in combination with the accumulative number of options granted to such employee under Article 56-1, paragraph 1 of the ROC Criteria Governing the Offering and Issuance of Securities by Securities Issuers, shall not exceed 0.3% of the total issued shares of the Company. And the above in combination with the accumulative number of shares granted to each employee under Article 56, paragraph 1, shall not exceed 1% of the total issued shares of the Company.

F. The Grounds and Necessity of Issue of the RS: To attract and retain professionals needed by the Company, incentivize employees and augment the employees' loyalty to jointly create the interest of the Company and its Members.

G. The Estimated Expense: The accrued expense is likely to be TWD 57,500,000, which shall be allocated to 2019, 2020 and 2021 by the amount of TWD 21,622,000, TWD 28,750,000, and TWD 7,128,000 per preceding year.

H. The Estimated Diluted Earnings per Share of the Company and the Impacts on Members' Equity: Based on the vesting schedule and current outstanding shares, the diluted earnings per share of year 2019, 2020 and 2021 are estimated to be TWD 0.24, TWD 0.32 and TWD 0.08, which should not cause tremendous impacts on Members' equity.

(2) The Plan reviewed and adopted by the Audit Committee of the Company and further accepted by the Board is provided as Exhibit 11, pages 97-100 of the Handbook.

#### Resolutions:


54,692,959 shares were presented at the time of voting. 52,958,777 shares voted for the proposal, representing 96.82% of the total represented shares present. 1,123,095 shares voted against the proposal, representing 2.05% of the total represented shares present. 0 invalid vote, representing 0.00% of the total represented shares present. 611,087 shares waived or not voted, representing 1.11% of the total represented shares present. It was resolved that subject proposal be and is approved and adopted by a Supermajority Resolution.

Six. Questions and Extemporaneous Motions

No questions and extemporaneous motions.

Seven. Close of the Meeting: 9:50 a.m.

主席：黃大倫   
Chairperson: Ta-Lun Huang

記錄：胡慕真   
Secretary: Mu-Chen Hu