

# Yeong Guan Energy Technology Group Company Limited

## 永冠能源科技集團有限公司

Year 2020

### Reference of Annual General Meeting of Shareholders

#### 1. Reporting Matters

Report No. 1:

Business Report for Fiscal Year 2019

Explanation:

The Business Report for Fiscal Year 2019 is attached hereto as Exhibit 1. Please refer to page 15~18.

Report No. 2

Audit Committee's Review Report for Fiscal Year 2019

Explanation:

1. The Audit Committee has examined and approved the 2019 financial statements.
2. The Audit Committee's Review Report for Fiscal Year 2019 is attached hereto as Exhibit 2. Please refer to page19

Report No. 3

Report of Distribution Plan of Compensation for the director and employees as compensation for Fiscal Year 2019

Explanation:

1. According to the Articles of Association of the Company, the Company shall set aside between two per cent (2%) and fifteen per cent (15%) of the surplus profit as compensation to employees (including the employees of the Company's subsidiaries, who meet certain qualifications) and shall set aside no more than three per cent (3%) of the surplus profit as remuneration for the directors. The distribution proposals in respect of employees' compensation and directors' remuneration shall be approved by a majority of the directors at a

meeting attended by two-thirds or more of the total number of the directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the abovementioned distributions and allocation. The "surplus profit" referred to above means the net profit before tax of the Company and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the Directors

2. Pursuant to the relevant laws and the Articles of Association of the Company, NT\$ 10,000,000) will be set aside as compensation to employees and will be distributed in cash.
3. The Company will not distribute any director's remuneration for Fiscal Year 2019.

Report No. 4:

Status of the Company's 1st and 2nd Issuance of Domestic Unsecured Convertible Bonds for Fiscal Year 2019

Explanation:

1. In order to repay bank loans and enrich the working capital, the Company issued the First Domestic Unsecured Convertible Bonds in Taiwan on June 3, 2014 and such project has been completed.
2. For the need of future business development, construction of the factory, purchase of machines and equipment and increase in the working capital, the Company issued the Second Domestic Unsecured Convertible Bonds in Taiwan on August 18, 2015 and such project is still ongoing
3. The Status of the Company's 1st and 2nd Issue of Domestic Unsecured Convertible Bonds for Fiscal Year 2019 is attached hereto as Exhibit 3. Please refer to pages 20~21.

Report No. 5:

Report on the amendment to the Ethical Corporate Management Best Practice Principles of the Company

Explanation:

1. Certain provisions of the Ethical Corporate Management Best Practice Principles of the Company are proposed to be amended

pursuant to Ordinance Tai-Zheng-Zhi-Li-Zi No. 1080008378 issued by the Taiwan Stock Exchange Corporation on May 23, 2019 and universal standards or guidelines of the ISO37001 Anti-bribery management systems.

2. A comparison table of the amended provisions is attached; please refer to pages 20-22 (Exhibit 4)

Report No.6:

Report on the amendment to the Procedures for Ethical Management and Guidelines for Conduct of the Company

Explanation:

1. The Company plans to amend certain provisions of the Procedures for Ethical Management and Guidelines for Conduct pursuant to the revised Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
2. A comparison table of the amended provisions is attached; please refer to pages 27-34 (Exhibit 5).

Report No.7:

Report on changes of the issuing plan of the Company's 2015 capital increase by cash and the 2nd Domestic Unsecured Convertible Bonds

Explanation:

1. Offering of the Company's 2015 capital increase by cash and the 2nd Domestic Unsecured Convertible Bonds has completed on October 20th, 2015. The total amount is NTD3,350,000,000. Original purposes of the proceed were NTD 1,500,000,000 for building the factories and NTD 1,386,182,000 for purchase of machine and equipment in order to develop large wind-turbine generator and investment in Taiwan. The remaining NTD463,818,000 would be used for strengthening operation capital.
2. In November 2016, in consideration that since Taichung City Government had other plans for the areas originally designated to be used for "Taichung Port Power Zone (II) roughly 4.6-Hectare Land Investment Operation Project" and "Taichung Port Power Zone (II) roughly 4.8-Hectare Land Investment Operation Project" and the alternative zone provided by the Taiwan International Ports Corporation Limited was still in the stage of re-negotiation, scheduled progress of

capital utilization related to the factory building and purchase of machine and equipment in the original offering plan cannot be implemented to fulfill offshore industry zone and designated port programs, which were promoted by the Industrial Development Bureau of the Ministry of Economic Affairs, and for the sake of avoiding excessive delay in factory building plan as well as missing business opportunities, and meeting with operation demand, the Company has determined, by the Board of Directors on November 4, 2016, that this project will be implemented by Jiangsu Bright Steel Fine Machinery Co., Ltd. and Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Meanwhile, and therefore, the schedule of capital utilization plan and expected possible benefits generated from this project have been amended accordingly.

3. To work with localization development schedule of offshore wind power industry and the “Establishment of Offshore Wind Power Industry Assembly Park” in Taichung Port of the Ministry of Economic Affairs of Taiwan as well as to meet customer’s demand for casting product order, the Company will continue to proceed with its Taichung Casting Iron Factory building plan. This will cause the increase of amounts for factory building and purchase of machine and equipment prescribed in the original project. Total amount increased will exceed more than 20% of total amount in the original plan. As such, the Board of Directors passed a resolution on March 12, 2020 to amend capital utilization plan.
4. Please refer to pages 35-39 (Exhibit 6) for related matters regarding amendment of this project.

## 2. Recognition Matters

Proposal No. 1:  
Directors

Proposed by the Board of

Ratification of the Business Report and Consolidated Financial Statements for  
Fiscal Year 2019

Explanation:

1. The Company’s Consolidated Financial Statements for the Fiscal Year 2019 have been certified and audited by certified public

accountants (CPAs), Chih-Yuan, Chen and Ching-Jen, Chang of Deloitte & Touche, approved by the Board of Directors on March 12, 2020, and examined and approved by the Audit Committee. The Audit Committee has issued its Audit's Review Report.

2. The Business Report for the Fiscal Year 2019, CPAs' Audit Report, and Consolidated Financial Statements are attached hereto as Exhibit 1 and Exhibit 7. Please refer to page 15~18 (Exhibit 1) and pages 40~49 (Exhibit 4).

Resolution:

Proposal No. 2:  
Directors

Proposed by the Board of

Ratification of the Proposal for Distribution of Profits for Fiscal Year 2019

Explanation:

1. The Company's 2019 net profit after tax is NTD\$162,975,530. The Company set aside statutory reserve of NTD\$16,297,553 (10% of the net profit) in accordance with the applicable law and the Articles of Association of the Company, and special reserve in the amount of NT\$379,863,511. Together with the increase on the retained earnings due to the investment adjustment for the investment used the equity method and the undistributed earnings of NT\$5,988,203 at the beginning of Fiscal Year 2019, the total distributable earnings is NT\$547,819,804.
2. It is proposed to set aside NTD\$52,808,760 from the distributable net profit of 2019 to distribute NTD\$0.5 per share to shareholders as cash dividend. The distribution of cash dividend will be calculated by the method of "rounding down the digits below dollar", and the amount of less than one dollar will be counted as the other income of the Company. After the ratification of this proposal in the Annual General Meeting, it is proposed that the Board is authorized with full power to take any actions that may be required in connection with the related issues of dividend distribution.
3. It is proposed to authorize the Board of Directors of the Company to set the record date, distribution date and to handle other relevant matters after the proposal is approved in the Annual General Meeting. It is further proposed to authorize the Chairman with full power to handle relevant matters if the distribution ratio needs to be adjusted due to purchase of the Company's shares by the Company,

transfer, cancellation of the treasury shares, conversion of convertible bonds, or exercise of employee stock options.

4. Profit Distribution Table for Fiscal Year 2019 is attached hereto as Exhibit 8. Please refer to page50.

### 3. Matters for Discussion

Proposal No. 1: Proposed by the Board of Directors  
Proposal for the amendment of the Articles of Association of the Company.

Explanation:

1. Due to the amendments to the Shareholders Rights Protection Checklist announced by the Taiwan Stock Exchange on December 25, 2019 (Tai-Zheng-Shang-Er-Zi No. 1080023568), it is proposed that the current Articles of Association be amended by replacing in its entirety with the revised Articles of Association.
2. The revised Articles of Association and the comparison table for the amendments are attached hereto as Exhibit 9. Please refer to pages 51~112.
3. It is proposed that the Registered Office of the Company be and is hereby authorized and instructed to arrange for the requisite filing to be done at the Registrar of Companies in the Cayman Islands.
4. This proposed shall be resolved by special resolution.

Resolution:

Discussion No. 2: Proposed by the Board of Directors  
Proposal for the amendments to the Rules of Procedure for Shareholders Meetings of the Company.

Explanation:

1. Due to the amendments to the Taiwan Company Act, the ruling issued by the Ministry of the Economics of Taiwan and the international regulations and the Company's actual operation need, it is proposed that the Rules of Procedure for Shareholders Meetings of the Company be amended.
2. The comparison table for the amendments is attached hereto as Exhibit 10. Please refer to page 113~116.

Proposal No. 3: Proposed by the Board of Directors  
Proposal to amend the Procedures for Endorsement and Guarantees of the Company.

Explanation:

1. Due to the Company's development and actual operation need, it is proposed to amend the Procedures for Endorsement and Guarantees of the Company.

2. The comparison table for the amendments is attached hereto as Exhibit 11. Please refer to pages 117~121.

Proposal No. 4: Proposed by the Board of Directors  
Proposal to amend the Procedures for Landing of Company Funds of the Company.

Explanation:

1. Due to the Company's development and actual operation need, it is proposed to amend the Procedures for Endorsement and Guarantees of the Company.
2. The comparison table for the amendments is attached hereto as Exhibit 12. Please refer to pages 122~125.

Proposal No. 5: Proposed by the Board of Directors  
Private Placements of securities of the Company

Explanation:

1. For the purpose of strengthening operation capital, enhancement of financial structure, offshore material procurement and capital expenditure as well as meeting the Company's long term capital demands, the Company intends to seek authorization from the shareholders meeting for the Board of Directors to issue ordinary shares or unsecured convertible bonds by private placement. The Board of Directors is authorized to proceed the private placement within one year of the shareholders meeting by privately placing either the ordinary shares or unsecured convertible bonds (or combination of both) in accordance with Article 43-6 of the Securities and Exchange Act.

Explanation of related matters for this private placement of securities is as follows.

2. Types of Private Placement Securities:

- (1) Private placement of ordinary shares: Total number of the shares shall not exceed the 20 million shares, with par value of NTD10 per share.
- (2) Private placement of unsecured convertible bonds: Total amount shall not exceed NTD1.5 billion (with par value of NTD100,000 each bond certificate).

3. The basis and reasonableness of the private placement pricing:

A. For the private placement of ordinary shares

(1) Basis of price:

The simple average closing price of the ordinary shares for either the 1, 3, or 5 business days before the price determination date, after adjustment for any



distribution of stock dividends, cash dividends or capital reduction, or the simple average closing price of the ordinary shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction, which is higher.

(2) Pricing Principle: Pricing for this private placement of ordinary shares is based on the principle that actual price for this private offering is not lower than 80% of reference price. Subject to the above percentage, it is hereby intended to request shareholders' meeting to authorize Board of Directors to determine the price accordingly based on future situation of specific individual and market condition.

(3) Reasonableness of Pricing: Actual price for this private offering is by reference of the Company's stock price, and in compliance with requirements prescribed in "Guidelines for Listed Company's Conducting of Private Offering of Securities." As such, the price shall be considered as reasonable .

(4) The Board of Directors is hereby authorized to determine actual pricing day based on future market conditions when specific individuals are approached accordingly.

B. For the private placement of unsecured convertible bonds

(1) Basis of private offering price:

Basis for Pricing: Base price utilized to calculate conversion price for unsecured convertible bonds of this private offering shall be determined in accordance with the higher one of the following two basis prices:

i. Simple arithmetic mean calculated from one of ordinary share closing prices for 1, 3, or 5 business days prior to the pricing day after adjustment of distribution of stock dividend, cash dividend and capital reduction;

ii. Simple arithmetic mean of ordinary share closing prices for 30 business days prior to the pricing day after adjustment of stock dividend, cash dividend and capital reduction.

Pricing Principles: Pricing basis for the conversion price of unsecured convertible bonds of this private placement shall not be lower than 80% of reference price aforementioned i, and shall not be lower than net value for each share on the latest financial statements.

Reasonableness of Pricing: Actual price for convertible bond shall not be lower than 80% of reference price. This pricing principle complies with regulations stipulated in "Directions for Public Companies Conducting Private Placement of Securities" as well as market pricing practices. As such, the price shall be considered as reasonable.

Actual pricing date and actual conversion price will be submitted to

shareholder's meeting to authorize the Board of Directors to, within the scope of the above percentage, determine accordingly based on future specific individual approaching situation and market conditions.

#### 4. Measure, Purpose and Necessity for Selecting Private Placement Specific Individuals and Expected Benefits:

Specific individuals will be selected in accordance with Article 43-6 of Securities and Exchange Act and requirements prescribed in Financial Supervisory Commission's order dated June 13, 2002 under reference of (91)Tai-Cai-Zheng-Yi-Tze No. 0910003455. All securities in this private placement project will be purchased by strategic investors. As of today, the Company has not approached any strategic investors. It is hereby intended to authorize Board of Directors to approach accordingly after this proposal is approved by shareholders' meeting.

(1) Measure and Purpose of Selection: For selection of investors, individuals capable of generating benefits to the Company's long-term development, competitiveness and existing shareholders' equities shall enjoy priority during the selection.

(2) Necessity: For the purpose of responding to the Company's long-term operation planning, enhancing operation performance and strengthening financial structure as well as considering enhancement of stability for management level, introducing strategic investor's capital during this private placement shall be able to assist in the Company's operation and business development, improve the Company's overall operation quality and strengthen cohesiveness towards the Company. Accordingly, there is indeed a necessity to introduce strategic investors.

(3) Expected Benefits: It is expected to enhance the Company's competitiveness, facilitate stable growth to the Company's operation and benefits to shareholder's equities.

#### 5. Reasons for Conducting Private Placement:

(1) Reason for Not Conducting Public Offering: In consideration that private offering measures are more timely and convenient as well as to respond to the Company's development of introducing strategic investors, it is hereby necessary to conduct accordingly through private placement measures.

(2) Amount for Private Placement: It is hereby intended to conduct private Placement of ordinary shares within the number of 20 million shares; Private placement of unsecured convertible bonds: Total amount shall not exceed NTD1.5 billion (with par value of NTD100,000 for each bond certificate).

(3) Private Placement Capital Utilization and Expected Benefits:

a) Utilization of Capital: Capital will be utilized for one or multiple purposes of enhancement of operation fund, repayment of bank loan, offshore purchase of material, capital expenditure and other fund demands for the Company's long-term development.

b) Expected Benefits: Through injection of strategic investor's capital, the Company's will be capable of lowering financial costs and capital pressure from the Company's operation and capital expenditure as well as enhancing its financial structure.

6. Securities for this private placement shall not be transferred freely within 3 years starting from delivery date except for special circumstances stipulated in Article 43-8 of Securities and Exchange Act. The Company also intends to request shareholders' meeting to authorize the Board of Directors to, after 3 years of the delivery date of ordinary shares from this private placement, determine, based on situations at that time, if it wants to apply for approval letter from the Taiwan Stock Exchange confirming that the private placement ordinary shares complies with listing standards, and then file with the competent authority of Republic of China for public offering of those private placement ordinary shares. Obligation and rights for ordinary shares from this private placement or the Company's ordinary shares converted from unsecured convertible bonds of this private placement are same as the ones for the Company's originally issued ordinary shares.

7. Other than the percentage mentioned above, major contents for this private placement project (including, actual price, number of shares, offer terms, offer time, project items, buy-back conditions, selling-back conditions, project items, capital utilization schedule, expected benefits generated and all other matters regarding this project are hereby intended to , upon the approval of the shareholders in this shareholders meeting, authorize Board of Directors to adjust, establish and conduct accordingly depending on market conditions. Going forward, the Board of Directors is also authorized with full discretion on handling matters of amendments of this private placement project upon instructions from competent authority of the Republic of China, or changes made based on operation assessment or needs from objective environment.

8. In addition to aforementioned scope of authorization, it is hereby intended to request shareholders' meeting to authorize the Company's chairman or his/her designated person to represent the Company to sign, negotiate, change all agreements and documents related to this private placement project. Meanwhile, the chairman is also authorized to handle all matters needed but not prescribed herein for the Company regarding this private placement project.

9. Pursuant to Article 43-6 of the Securities and Exchange Act, the request information in respect of the Company's proposal relating to this private placement project are disclosed in the Market Observation Post System (<http://mops.twse.com.tw/>) and the website of the Company (<http://www.ygget.com>)

Resolution:

#### 4.Election

Proposal No. 1 by Board of Directors  
Proposal to elect one director.

Explanation:

1. Originally, directors elected (including independent directors) for this term are 11 seats. Due to Mr. Tsai, Chin-Wu's resignation, the Company proposes to elect one director to meet the needs for operation. This election will adopt candidate nomination method.
2. Term for the newly-elected director shall commence from June 19, 2020 and end on June 19, 2022.
3. The education, work experience, and number of shares held by the candidate are as follows:

Name	Education	Work experience	Number of shares held by the candidate
PJ Asset Management Co.,Ltd	NA	NA	8,530,000 shares

Election Result:

#### 5.Other Matters

Proposal No. 1: Proposed by the Board of Directors  
Proposal for release the newly-elected Director from non-competition restriction

Explanation:

1. The Articles of Association of the Company provides that "a Director who is engaged in anything on his own account or on behalf of another person, which is within the scope of the Company's business, shall explain to the Members in a general meeting the essential contents of such conduct and seek their approval by supermajority resolution".
2. Considering the business need, it is proposed that the newly-elected director is released from such non-competition restriction.
3. This proposed shall be resolved by supermajority resolution.

Directors	Company names and positions of concurrent employment
寶佳資產管理股份有限公司 PJ Asset Management Co.,Ltd	無/none

5. Ad Hoc Motions

6. Adjournment