



Stock Code: 8299

Phison Electronics Corporation

Handbook for 2021 Annual General Meeting of Shareholders

Meeting time : May 28, 2021

Venue : No. 1, Qunyi Road, Zhunan Township, Miaoli County Conference Room on the 1st floor of the Company's 1st factory (located in Guangyuan Science and Technology Park)



Notice to Readers

For the convenience of readers, the Handbook for the 2021 Annual General Shareholders' Meeting have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version of the Handbook for the 2021 Annual General Shareholders' Meeting shall prevail.

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Phison Electronics Corporation
Meeting Procedure of 2021 Annual General Meeting of
Shareholders

I. Meeting Procedure

1. Calling the Meeting to order
2. Chairman's Remarks
3. Matters to Report
4. Proposals
5. Discussions
6. Extraordinary Motions
7. Adjournment

Phison Electronics Corporation

Agendas of 2021 Annual General Meeting of Shareholders

II. Meeting Agenda

Meeting time: 9 a.m., Friday, May 28, 2021

Venue: No. 1 Qunyi Road, Zhunan Township, Miaoli County

Conference Room on the 1st floor of the Company's 1st factory (located in Guangyuan Technology Park)

Meeting chairman: Mr. Khein Seng Pua, Chairman of the Board

1. Meeting Chairman's Remarks

2. Matters to Report

Case No. 1: The Company's 2020 business report.

Case No. 2: Audit Committee's Review Report of 2020 Financial Statements.

Case No. 3: Report on 2020 Employees' and Directors' Remuneration Distribution.

Case No. 4: Report on the actual handling situation of 2020 general shareholders' meeting's resolution on private placement of common shares.

Case No. 5: Report of the Company's Investment in the Mainland.

Case No. 6: Establishment of "Corporate Governance Best Practice Principles".

Case No. 7: Establishment of "Corporate Social Responsibility Best Practice Principles".

Case No. 8: Establishment of "Ethical Corporate Management Best Practice Principles".

Case No. 9: Amendment to part of the "Code of Conduct" (Formerly known as the "Code of Conduct for Director, Supervisor and Manager").

3. Proposals

Case No. 1: The Company's 2020 business report and financial statements.

Case No. 2: The Company's 2020 surplus earning distribution.

4. Discussions

Case No. 1: The Company's private placement of common shares.

Case No. 2: Amendment to part of the Articles of Association of the Company.

Case No. 3: Amendment to part of the "Procedures for Election of Directors" of the Company (Formerly known as the "Procedures for Election of Directors and Supervisors").

Case No. 4: Amendment to part of the "Procedure of Acquisition and Disposal of Assets", "Procedure of Engaging in Derivatives Trading", "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee".

5. Extraordinary Motions

6. Adjournment

III. Matters to Report

Case No. 1: (Proposed by the Board)

Note: The Company's 2020 business report.

Explanation: For the Company's 2020 business report, please refer to Attachment 1 on page 16 to 22 of this handbook.

Case No. 2: (Proposed by the Board)

Note: Report on Audit Committee's Review Report of 2020 Financial Statements.

Explanation: For the Audit Committee's Review Report of 2020 Financial Statements, please refer to Attachment 2 on page 23 of this handbook.

Case No. 3: (Proposed by the Board)

Note: Report on 2020 Employees' and Directors' Remuneration Distribution.

Explanation: 1. According to Article 19 of the Articles of Association of the Company, "If the Company makes profits in the year, it shall appropriate 8% to 19% for employees' compensation and no more than 1.5% for directors and supervisors' compensations".

2. In the year of 2020, the Company earned NT\$10,349,255,916 (the amount represents the pre-tax profit before deducting of employees' and directors' remuneration), and it intends to distribute NT\$1,000,000,000 from 2020's profits for employees' compensation (about 9.66% of the profits for the year 2020) and NT\$45,000,000 for directors and supervisors (about 0.43% of the profits for the year 2020), all in cash.

Case No. 4 (Proposed by the Board)

Note: Report on the actual handling situation of 2020 general shareholders' meeting's resolution on private placement of common shares.

Explanation: The Company resolved a private placement of common shares which do not exceed 18,000,000 shares at the 2020 general shareholders' meeting on June 3, 2020, and resolution was granted to proceed one or two times within one year from the date of the resolution of the general shareholders' meeting. As the date upon which such resolution expired, therefore, the board of directors decided that this private placement will no longer be conducted.

Case No. 5 (Proposed by the Board)

Note: Report of the Company's Investment in the Mainland.

Explanation: Please refer to Attachment 3 on page 24 to 25 of this handbook for information on the Company's investment in the Mainland in 2020.

Case No. 6 (Proposed by the Board)

Note: Establishment of "Corporate Governance Best Practice Principles".

Explanation: "Corporate Governance Best Practice Principles", please refer to Attachment 4 on page 26 to 50 of this handbook.

Case No. 7 (Proposed by the Board)

Note: Establishment of "Corporate Social Responsibility Best Practice Principles".

Explanation: "Corporate Governance Best Practice Principles", please refer to Attachment 5 on page 51 to 61 of this handbook.

Case No. 8 (Proposed by the Board)

Note: Establishment of "Corporate Governance Best Practice Principles".

Explanation: "Corporate Governance Best Practice Principles", please refer to Attachment 6 on page 62 to 70 of this handbook.

Case No. 9 (Proposed by the Board)

Note: Amendment of certain articles of the Company's Code of Ethical Conduct (formerly known as the "Code of Ethical Conduct for Directors, Supervisors and Managers"), submitted for approval.

Explanation: 1. In accordance with the Announcement Zheng-Gui-Jian-Zi No. 10900582661 issued by Taipei Exchange on June 12, 2020, the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies", and the Company's business needs, certain articles of the Company's "Code of Ethics for Directors, Supervisors and Managers" were amended, the name of which was changed to "Code of Ethical Conduct".

2. Please refer to Attachment 7 on page 71 to 81 of this handbook for the comparison table of the above amendments.

IV. Proposals

Case No. 1 (Proposed by the Board)

Note: The Company's 2020 Business Report and Financial Statements.

Explanation: 1. The Business Report and Individual Financial Statements of the Company for the year of 2020 (including Individual Balance Sheets, Individual Statements of Comprehensive Income, Individual Statements of Changes in Equity, Individual Statement of Cash Flows) and Consolidated Financial Statements (including Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statements of Cash Flows) have been compiled and audited by independent auditors, Dai Xin Wei and Kuo Li Wen, of Deloitte & Touche and Audit Committee. Please refer to the aforementioned Financial Statements and Independent Auditor's Report together with the Business Report.

2. For the 2020 Business Report, Individual Financial Statements and Consolidated Financial Statements, please refer to Attachment 1 on page 16 to 22 and Attachment 8 on page 82 to 103, of this handbook respectively.

Resolution:

Case No. 2 (Proposed by the Board)

Note: The Company's 2020 surplus earning distribution.

Explanation: 1. The net profit after tax in 2020 was NT\$8,699,044,242. In accordance with the Company's Articles of Association, surplus earning distribution shall be determined. The company's 2020 surplus earning distribution is as follows:

Phison Electronics Corporation
PROFIT DISTRIBUTION TABLE
Year 2020

(Unit: NTD\$)

Retained earnings at the beginning of the period	13,598,983,731
Net profit after tax of Year 2020	8,699,044,242
Less: The actuarial losses of defined benefit plans of Year 2020 be included in retained earnings	5,947,408
Add: Cumulative unrealized gain (loss) on equity instruments transferred to retained earnings due to disposals	17,374,361
Less: Retained earnings adjusted for investments accounted for using equity method	28,216,548
The total of, the net profit after tax of Year 2020 plus the else items of the period be included in the undistributed earnings.	8,682,254,647
Less: 10% Legal Reserve	868,225,465
Add: Reversal of Special Reserve based on regulations	10,784,120
Distributed earnings as of December 31, 2020	21,423,797,033
Distributable items:	
Dividend to shareholders-Cash (Distributed NT\$23 per share)	4,532,701,839
Unappropriated retained earnings by the end of the period.	16,891,095,194

Chairman :

Manager :

Accounting Supervisor :

2. The cash dividends distributed to the shareholders of the Company during 2020 was NT\$4,532,701,839, NT\$23 per share. Dividends are allocated based on the shareholding ratio of shareholders listed on Shareholders' Rosters on the ex-dividend record date. The cash dividends are calculated up to NT\$1. Decimal points are rounded down and the uncounted shares in fractions of NT\$1 shall be transferred to the Company's Employee Benefits Committee. The aforesaid distribution ratio was calculated based on the Company's total outstanding shares as of March 11, 2021, 197,073,993 shares. Upon the resolution of cash dividend by general shareholders' meeting, the Chairman will be authorized to set up the ex-dividend record date and related matters. If there is change in the total number of shares outstanding on the ex-dividend record date, the Chairman will be authorized to recalculate the cash dividend payout ratio based on the number of outstanding shares on the ex-dividend record date.

Resolution:

V. Discussions

Case No. 1 (Proposed by the Board)

Note: The Company's private placement of common shares.

Explanation: 1. In order to introduce strategic investors and strengthen its long-term cooperative relationship with strategic partners so as to facilitate the company's long-term operation and business development, it is proposed to conduct a private placement to increase capital in cash by issuance of new shares (hereinafter referred to as "Private placement of common shares of this fiscal year"), in compliance with the provisions of Article 43-6 of the Securities and Exchange Act, etc. It is expected that the total amount of private placement of common shares will not exceed 18,000,000 shares at par value of NT\$10 per share and the increase in paid-in capital will not exceed NT\$180,000,000.

2. According to the provisions of Article 43-6 of the Securities and Exchange Act and the "Directions for Public Companies Conducting Private Placements of Securities", the explanations are as follows:

(1) The basis and rationality of the pricing of private placement

A. As to the pricing of the private placement of common shares, the price of per share shall not be lower than 85% of the higher price of the following two calculations before the price determination date:

(i) The simple average closing price of the common shares is calculated based on either the 1, 3, or 5 business days before the price determination date and is adjusted upon distribution of stock dividends and cash dividends, and capital reduction.

(ii) The simple average closing price of the common shares is calculated based on 30 business days before the price determination date, and is adjusted upon distribution of stock dividends and cash dividends, and capital reduction.

- B. The actual price determination date and the actual price of private placement shall not be less than the range decided by the shareholders' meeting. The board of directors will be authorized to determine the price based on the aforesaid price, future specific persons' situation and market conditions.
- C. The pricing method of this private placement price is based on the "Directions for Public Companies Conducting Private Placements of Securities" and considers that the company's future prospects and the timing, object, and quantity of private placement of securities transfer are strictly limited. Moreover, it is also not possible to be listed on the TPEX within three years and the liquidity is poor. Therefore, the pricing of the private placement of this fiscal year shall be reasonable, and would cause no major impact on shareholders' equity.

(2) Methods of selecting specific persons

- A. The object of the private placement of common shares is in accordance with Article 43-6 of the Securities Exchange Act and the Order Tai-Cai-Zheng-Yi No. 0910003455 of the Financial Supervisory Commission of the Executive Yuan issued on June 13, 2002, a specific person as strategic investor.
- B. Offerees are intended to be strategic investors:
 - (i) Method and purpose of selecting offerees: Due to the Company's long-term business and business development needs, it will give priority to those who may directly or indirectly contribute to the future operation of the Company, and can help the Company expand its business and product market, strengthen customer relations, or enhance product development integration benefits, or can improve technology, and can identify with the Company's business philosophy of strategic investors.

- (ii) Necessity: The purpose of selecting offerees is to introduce strategic investors and strengthen long-term cooperation with strategic partners. Through strategic investors, the long-term competitiveness and operational effectiveness of the company can be enhanced, which is necessary.
- (iii) Expected Benefits: It is expected that through strategic investors' experience, product technology, knowledge, brand reputation, and market access, we can cooperate with investors in strategic cooperation, joint product development, market integration, or business development cooperation, which will help the Company to reduce operating costs, improve product technology, and expand its sales market to improve the company's future operating performance.

C. There are at present no offerees.

(3) Necessary reasons for private placement:

- A. Reasons for not adopting public offerings: Considering factors such as capital market conditions, issuance costs, timeliness and feasibility of fundraising for private placements, and restrictions on private placement of shares that cannot be freely transferred within three years, etc. In this way, it can ensure and strengthen strategic partnerships in a closer long-term cooperation relationship. Therefore, public offering is not adopted this time, and a private placement to increase capital in cash by issuance of new share is conducted instead.
- B. The quota of private placement: The total quota of this private placement of common shares shall not exceed 18,000,000 shares, and will be processed once or twice within one year from the date of the resolution of the shareholders' meeting.
- C. The capital purpose and the estimated benefits of private placement of common shares processed in different tranches.

Processing times	Capital purpose	Expected results
Once in a single transaction	Seek opportunities for technical cooperation or strategic alliances with domestic and foreign industrial companies, and at the same time, enrich working capital and meet the company's long-term operational development needs	Reduce the company's operating risks, strengthen its financial structure, and improve the company's future operating performance
Twice in two transactions	Two occasions are to seek technical cooperation or strategic alliance with domestic and foreign industrial companies. At the same time, it enriches the working capital and meets the needs of the company's long-term operation and development.	Two occasions are to reduce the company's operating risk, strengthen its financial structure, and improve the company's future operating performance.

(4) One year before the private placement of this fiscal year resolved by the board of directors, there was no major change in the operating rights, and the total amount of private placement of common shares is not expected to exceed 18,000,000 shares this time, accounting for 8.37% of the estimated total amount of paid-in capital after private placement. This time, offerees will be limited to strategic investors and will have a positive effect on the development of the company's business. It is expected that the introduction of strategic investors in private placement will not cause major changes in the operating rights.

(5) Other matters that should be stated:

A Regarding the private placement of common shares of this fiscal year, the rights and obligations are in principle the

same as the common shares issued by the Company, but according to the provisions of Article 43-8 of the Securities and Exchange Act, in addition to the objects and conditions of the assignment as prescribed by the provisions, in principle, the private placement of common shares shall not be freely transferable within three years from the date of delivery. After the full three years from the delivery date, the company plans to obtain a consent letter from the over-the-counter trading center in accordance with the relevant provisions of the Securities and Exchange Act, etc. The Company shall apply for re-issuance of the public offering of private placement of common shares and application for the transaction of the counter with the competent authority.

- B. The main contents of the private placement of common shares of this fiscal year include actual number of private placement shares, actual private placement price, selection of applicants, record date, issuance conditions, project items, capital use and progress, projected benefits, and other related issues. Etc., etc., and all other matters related to the issuance plan, intended to be brought to the shareholders' meeting to authorize the board of directors to adjust, determine and handle based on the market conditions, and if future changes such as due to amendments in laws or regulations or when required by the competent authority or based on operational assessment, or due to changes in the objective environment, the board of directors will be authorized to handle it completely.
- C. In addition to the aforesaid scope of authorization, it is proposed that the Chairman is authorized to sign, negotiate, and change all contracts and documents relating to private placement of common shares on behalf of the Company, and to handle all necessary matters regarding to private placement of common shares for the company.

Resolution:

Case No. 2 (Proposed by the Board)

Note: Amendment to part of the "Articles of Association" of the Company.

Explanation: 1. In order to meet the necessity of business operation, the Company would amend the Articles 19-1 and Articles 21 of the "Articles of Association".

2. Please refer to Attachment 9 on page 104 to 109 of this handbook of amendment comparison table for the "Articles of Association".

Resolution:

Case No. 3 (Proposed by the Board)

Note: Amendments to certain articles of the Company's "Articles of Procedures for Election of Directors" (formerly known as the "Procedures for Election of Directors and Supervisors"), submitted for discussion.

Explanation: 1. In accordance with the Announcement Zheng-Gui-Jian-Zi No. 10900582661 issued by Taipei Exchange on June 12, 2020, the Company established the Audit Committee to replace the supervisors and amended certain articles of the Company's "Procedures for Election of Directors and Supervisors", the name of which was changed to "Articles of Procedures for Election of Directors".

2. Please refer to Attachment 10 on page 110 to 122 of the handbook for the comparison table of the above amendments.

Resolution:

Case No. 4 (Proposed by the Board)

Note: Amendment to part of the "Procedure of Acquisition and Disposal of Assets", "Procedure of Engaging in Derivatives Trading", "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee".

- Explanation: 1. According the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and operation needs of the Company, the Company proposed to revise partial articles of "Procedures for Acquisition or Disposal of Assets", "Procedures for Engaging in Derivatives Trading", "Procedures for Lending Funds to Other Parties", "Procedures for Endorsement and Guarantee".
2. Please refer to Attachment 11 on page 123 to 156 of this handbook of amendment comparison table for the Procedure of Acquisition and Disposal of Assets", "Procedure of Engaging in Derivatives Trading", "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee".

Resolution:

VI. Extraordinary Motions

VII. Attachments

PHISON Electronics Corporation

2020 Business Report

1. Operating Strategy and Execution Overview :

In 2020, under the impact of COVID-19 and the difficulties of national lockdown policies in various countries around the world, coupled with the problem of lack of materials and parts in various technology industries, Phison continues to develop new products to meet market needs through its technological leadership, so that Phison can still steadily growth in 2020. Thanks to the unremitting efforts of all Phison people, the combined total revenue for 2020 is approximately NT\$48.5 billion, the combined after-tax surplus is approximately NT\$8.7 billion, and the after-tax EPS is NT\$44.14.

In 2020, the company's overall shipments of SSD products and embedded memory related controllers and finished products accounted for 67% of the company's overall revenue, an increase of approximately 25% from the previous year. In addition, Phison is actively developing UFS controllers to become the best choice for next-generation high-performance embedded storage devices. The R&D team has also continued to invest in key IP development and process miniaturization, providing a newer and more complete product lineup, and moving towards the next major industry milestone.

With the gradual realization of global 5G infrastructure and product applications, high-speed access to large amounts of data in the cloud, big data, AI and the Internet of Things and other technology applications have become more prosperous. Coupled with the increasing demand for ultra-high-speed data access due to the upgrade of various gaming software and game console specifications, it is expected that the penetration rate of ultra-high-speed solid-state drives (SSD) will continue to increase and maintain rapid growth. The company has launched different NAND Flash controllers for different application markets, including controllers that comply with PCIe Gen 3x4 NVMe specifications. In addition to leading the industry to launch World's first PCIe Gen4x4 NVMe SSD controllers, Phison has also further developed the world's fastest and only Gen4 SSD controllers with a read and write transmission speed of more than 7GB/s, adding new firepower to the company's active attack on the mainstream application market; in the high-end application/enterprise-level SSD application market, the company's customized

enterprise-level SSD solution FX series and the world's highest-capacity enterprise-level QLC SSD storage solution have gradually been recognized by the market; in addition, Phison has set up a research and development center in Colorado, USA, to serve Tier-1 enterprise server vendors nearby. In terms of embedded applications, the company, as one of the few industry leaders in the world that provides eMMC and UFS in its entirety, is committed to lower power consumption and lower heat generation technology, and continues to promote BGA SSD to PCIe NVMe specifications to provide embedded applications the best storage choice, and push mobile storage devices into a new generation of higher speed and more energy-saving. The company takes the lead in launching new controllers that support UFS3.1, especially with Phison's own technology, including StrongECC™, advance LDPC, CoProcessor™ and RAID architecture. It not only provides low power consumption, but also demonstrates excellent error correction capabilities and SSD-like performance. In terms of memory cards, the company released the latest SD & microSD card controller that is compatible with SD7.0 specifications. It has the absolute advantage of high-speed random access and provides up to 1TB data storage capacity. It is the industry's highest specification and is aimed at the high storage capacity application market. In terms of USB series products, Phison launched the latest portable SSD to achieve the highest performance external SSD. In addition, Phison's product lines also support 3D QLC NAND Flash at a more competitive price, which can more fully meet market needs.

Looking forward to 2021, Phison will continue to expand its R&D investment, and through its technology-leading strategy, it will enter NAND storage applications in all directions, including the expansion of high-margin markets such as the embedded application market, in-vehicle application systems, and enterprise server markets. With the leading technology of PCIe Gen4 SSD controller IC, customers around the world have re-recognized Phison's technology research and development capabilities, and as a result, new and existing customers around the world have expanded their cooperation with Phison. In the future, Phison will continue to focus on its business, strengthen its research and development capabilities, and continue to create a win-win situation for shareholders, employees, and customers.

2. 2020 Business Results

(1) Description of business results:

① Consolidated operating revenue:

The consolidated net operating revenue of the company for the year 2020 was NT\$48,496,522 thousand, which was an increase of 8.51% compared with the year of 2019 of NT\$44,693,441 thousand.

② Consolidated net profit after tax:

The consolidated net profit after tax of the company for the year 2020 was NT\$8,706,751 thousand, which was an increase of 91.53% compared with the year of 2019 of NT\$4,545,837 thousand.

(2) Budget implementation: The Company did not disclose its financial forecasts of the year of 2020, so it is not necessary to publicly disclose the implementation of the budget.

(3) Financial balance and profitability analysis:

① Consolidated operating revenue and expenditure:

Unit: Thousands of New Taiwan Dollars

Item	2020	2019	Increases (decreases)	Proportion of the changes (%)
Operating revenue	48,496,522	44,693,441	3,803,081	8.51
Gross profit	12,247,475	11,149,275	1,098,200	9.85
Net Operating Income	3,889,607	5,210,013	(1,320,406)	(25.34)
Non-operating income and expenses	5,803,822	140,921	5,662,901	4,018.49
Net profit after tax	8,706,751	4,545,837	4,160,914	91.53

② Financial profitability of consolidated operation

Item		2020	2019
Financial structure	Liability to asset ratio (%)	26.09	24.45
	Long-term asset to real estate, plant and equipment ratio (%)	760.80	889.10
Debt-paying ability	Current ratio (%)	317.33	343.42
	Quick ratio (%)	230.49	216.46
	Interest coverage ratio (times)	1,889.82	2,668.46
Operation performance	Receivables turnover ratio (times)	8.12	8.00
	Average days of receipt (days)	44.95	45.62
	Inventory turnover ratio (times)	3.34	3.51
	Average sales days (days)	109.28	103.98
	Payables turnover ratio (times)	10.21	7.94
	PP&E turnover ratio (times)	12.23	14.25
	Total asset turnover ratio (times)	1.13	1.19
Profitability	Return on assets (%)	20.21	12.11
	Return on equity attributable to owners of parent company (%)	27.06	16.21
	Ratio of operating income to paid-in capital (%)	197.37	264.37
	Ratio of pre-tax income to paid-in capital (%)	491.87	271.52
	Net income ratio (%)	17.95	10.17
	Basic earnings per share (NTD)	44.14	23.05
Cash flow	Cash flow ratio (%)	56.13	0.00
	Cash flow adequacy ratio (%)	87.99	83.19
	Cash re-investment ratio (%)	10.94	(9.17)
Leverage	Degree of operating leverage (DOL)	1.15	1.09
	Degree of financial leverage (DFL)	1.00	1.00

(4) Overview of R&D

① Research and development costs in the most recent two years:

The consolidated R&D expenses in 2020 and 2019 were NT\$6,752,676 thousand and NT\$4,714,400 thousand respectively, which accounted for 13.92% and 10.55% of the consolidated operating revenue respectively. As of fiscal year 2020, the company has obtained 1,684 patent approvals from various countries.

② R & D results:

The following products have been successfully developed and launched in 2020, including:

01. Develop the lower power consumption MIPI Gear 4 PHY as the host interface of UFS NAND storage controller.
02. Develop the world's only PCIe Gen 4 SSD controller PS5018-E18 with a data read/write transfer speed exceeding 7GB/s.
03. Develop a new generation of LDPC+DSP error correction module to support 3D NAND more effectively.
04. Develop USB3.2 flash drives that support high-speed random writing.
05. Develop the third-generation flash memory management core circuit module to simplify the firmware operation process, increase data transmission efficiency, and reduce power consumption.
06. Develop SD/microSD cards with high random read and write performance, which can expand the built-in flash memory capacity on mobile platforms with advanced operating systems.
07. Develop SD memory cards that support SD Express SD7.0 specifications, and support the high-resolution audio-visual market.
08. Develop controllers and solutions that support 3D QLC NAND and next-generation 3D PLC NAND.
09. Develop low-power RAID error correction modules that support mobile devices.
10. Develop high-performance SSDs that reduce overall power consumption by combining Host-side resources to meet the goal of energy saving and carbon reduction.
11. Continue to develop SIP flash memory modules, including support for the NM card formulated by the ITMA Association, to expand the market.
12. Develop design/verification methods and circuit function modules that meet automotive specifications to support various automotive flash memory modules, including product lines such as SD/microSD, eMMC, UFS, and BGA SSD.
13. Develop embedded SSDs with high integration, low latency, and low write loss, including low-power BGA SSDs, to meet the storage needs of various mobile devices.

③ Based on market demand trends, industry competition, and new product launch schedules, the company currently plans to develop or continuously upgrade product lines in 2021 as follows:

01. Develop a high-capacity USB3.2 Gen2x2 flash drive that supports high-speed random writing to meet the huge data transmission needs of content creators and other high-resolution audiovisual markets.
02. Develop SD/microSD memory cards that support high-speed random writing and comply with the SD Express specification (SD 8.0) to meet the needs of high-end mobile devices and high-resolution audio and video recording.
03. Develop the latest generation of UFS controller, support 3D NAND flash memory, and optimize it for the automotive storage market to meet the needs of high-speed computing such as self-driving cars.
04. Develop high-speed SSDs that support the latest PCIe NVMe specifications, including a new generation of PCIe Gen4 and PCIe Gen5 SSD controllers, and continue to maintain high-end technology leadership.
05. Develop the next-generation PCIe PHY for more detailed manufacturing processes, and continue to strengthen the field of IP licensing businesses.
06. Develop high-end enterprise-level SSD, support higher capacity, higher speed and fault tolerance mechanism, and cooperate with strategic partners to co-develop the new generation of enterprise SSD controllers and solutions to meet the needs of the enterprise-level storage market.
07. Develop a new generation of error correction modules to support high-level 3D TLC/QLC and next-generation PLC flash memory.
08. Continue to develop smaller, higher-capacity, and more power-saving SIP SSDs, including eMMC, UFS, and BGA SSDs that meet the automotive storage requirements to meet the high-speed storage needs of future mobile devices.
09. Develop SSDs that meet automotive specifications and continue to pass various automotive regulatory certifications, including AEC-Q100, ISO26262, IATF16949, ASPICE, etc.
10. Continue to develop SIP SSD suitable for various special embedded applications.

Phison Electronics Corp.

Khein Seng Pua, Chairman

Chee Kong Aw Yong, President

Pao Feng Chen, Accounting Director

Audit Committee's Review Report

The board of directors prepared the Company's 2020 Business Report and Financial Statements (including Consolidated Financial Statements) and Surplus Earning Distribution, etc. Mr. Xin Wei Dai and Ms. Li Wen Kuo, the independent auditors from the CPA firm of Deloitte & Touche audited the Financial Statements and have issued an audit report. Above Business Reports, Financial Statements (including Consolidated Financial Statements) and Surplus Earning Distribution were audited by Audit Committee and found no discrepancy, as reported in accordance with the Article 219 of the Company Act, please check.

To

2021 Annual General Meeting of Shareholders

Phison Electronics Corp.

Audit Committee Convener :

Wen Chiu Chung

March 11, 2021

PHISON ELECTRONICS CORP. AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from January 1, 2020	Investment Flows		Percentage of Ownership (%)	Share of Profit (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow					
Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	\$ -	b (2)	\$ 53,096	\$ -	\$ -	-	\$ (1,992)	\$ -	\$ -	3
Heifei Core-Storage Electronic Limited	Design, R&D, production and sale of electronic product and technical support service and rendering of related services	1,059,715	b (2)	1,063,215	-	432,225	24.41	168,053	1,393,661	-	3
Heifei Ruhuan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services	182,825	b (1)	182,825	-	-	100.00	(4,421)	170,044	-	-
Heifei Yichao Electronics Technology Ltd.	Design, R&D, sale of electronics hardware and rendering of related services and investment	-	b (2)	-	-	-	-	114,148	-	-	3
Heifei Ximeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	755,136	b (1), b (2)	-	-	-	24.23	(11,810)	161,207	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,347,675	b (1), b (2)	183,640	259,140	-	34.43	92,744	1,973,587	-	-

Accumulated Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 1,309,691 (US\$ 41,332)	\$ 1,336,236 (US\$ 42,390)	\$ 21,093,280

(Continued)

Note 1: Method of investment:

- a. Directly invested in mainland China.
- b. Indirectly invested in mainland China through companies registered in a third region.
 - 1) Indirectly invested in a China-based company through a company located in a third region, Regis Investment Limited and its subsidiaries.
 - 2) Indirectly invested in a China-based company through a company located in a third region, Global Flash Limited and its subsidiaries.

Note 2: The amounts were recognized based on audited financial statements.

Note 3: The Group lost control of Hefei Core Storage Electronic Limited in November, 2020. Therefore, Hefei Core Storage Electronic Limited and its subsidiaries were no longer included in the consolidated financial statement and transferred into investments accounted for using equity method. Refer to Notes 13 and 27 for related information.

(Concluded)

Phison Electronics Corporation
Corporate Governance Best Practice Principles

Chapter I General Principles

Article 1

To establish sound corporate governance systems and promote sound development of the securities market, Phison Electronics Corporation (“the Company”) promulgates the corporate governance principles (“the Principles”) with reference to Corporate Governance Best Practice Principles for TWSE/TPEX Listed companies.

Article 2

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

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the board of directors.
3. Fulfill the function of supervisors.
4. Respect the rights and interests of stakeholders.
5. 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, in order to ensure the continued effectiveness of its design and implementation in light of changes in the company's internal and external environment.

The Company conduct internal audit and establish internal audit department under the board of directors, for assisting the board of directors to evaluate problems of the internal control system, assess the efficiency of its operations, and make timely recommendations for improvements, to ensure that the system can operate effectively on an on-going basis, and be used as a basis for reviewing and correcting

the internal control system.

Any Appointment, dismissal of chief internal auditors shall be subjected to approval by the audit committees and be submitted to the board of directors for a resolution. In the event that the said matter has not been approved by the audit committee, it may be adopted with the consent of two-thirds or more of all directors, and the resolutions of the audit committees shall be noted in the minutes of the directors meeting.

Article 3-1

The Company is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the Company, business situations and management needs, and shall appoint in accordance with the requirements of the competent authorities, TWSE or TPEX a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

1. Producing minutes of board meetings and shareholders meetings
2. Assisting in onboarding and continuous development of directors
3. Furnishing information required for business execution by directors
4. Assisting directors with legal compliance
5. Other matters set out in the articles or corporation or contracts

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 designed to protect shareholders' rights and interests and treat all shareholders equitably.

The Company shall establish a corporate governance system which ensures

shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 5

The Company shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders meetings of the Company shall comply with laws, regulations and articles of incorporation.

Article 6

The board of directors of the Company shall properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary 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 board Chairman chair the meeting, that a majority of the directors (including at least one independent director) and convener of the audit committee, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7

The Company shall encourage its shareholders to actively participate in corporate governance, it is advisable for the company to engage a professional shareholder services agent 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 exploiting technologies for information disclosure, to upload annual reports, annual financial statements, notices, agendas

and supplementary information of shareholders meetings in both Chinese and English concurrently, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

It is advisable for the Company to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting.

It is advisable for the Company to arrange for their shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System.

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 Chairman, 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 therefore and the total number of votes for the elected directors.

The shareholders meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website.

Article 9

The Chairman of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the Company. The Chairman shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the Chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it is advisable for the members of the board of directors other than the Chairman of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new Chairman of the shareholders meeting to continue the proceedings of the meeting,

by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10

The Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the 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 company insiders from trading securities using information not disclosed to the market.

Article 11

The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, 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 accounting records, assets, particulars, documents and records of specific transaction of the Company.

The board of directors, audit committee, and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

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/or regulations and establish operating procedures in relation to these material financial

and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders. When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the company's financial structure thereafter. The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13

In order to protect the interests of the shareholders, it is advisable that the Company designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors 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, managers in performing their duties.

It is advisable that the Company adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference.

Section 2 Establishing a Mechanism for Interaction with Shareholders

Article 13-1

The board of directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of the Company's objectives.

Article 13-2

In addition to communicating with shareholders through shareholders meetings and

encouraging shareholders to participate in such meetings, the board of directors of the Company together with officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

Section 3 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises

Article 14

The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises 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 of the Company may not serve as a manager of its affiliated enterprises.

A director who engages in any transaction for himself or on behalf of another person that is 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 affiliated enterprises, 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.

Article 17

When the Company and its affiliated enterprises 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 definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited. All transactions or contracts made by and between the Company and its affiliated

persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18

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

1. 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.
2. 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 his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the Company in nominating directors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 19

The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list, provided however that the Company may set up a lower shareholding threshold according to the actual shareholding stake that may control the Company.

Chapter III Enhancing the Functions of the Board of Directors

Section 1 Structure of the Board of Directors

Article 20

The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings.

The structure of the Company's board of directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of 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:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.

3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Article 21

The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the 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 our 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 at the following 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 special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply 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 specify in its articles of incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23

Clear distinctions shall be drawn between the responsibilities and duties of the Chairman of the board of the Company and those of its general manager.

It is inappropriate for the Chairman to also act as the general manager or an equivalent post.

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 appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer 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 "group enterprises 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 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company. Change of status between independent directors and non-independent directors during their term of office is prohibited.

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 Taiwan Stock Exchange or Taipei Exchange.

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 a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. 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 physical support related to the exercise of their power. The Company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect

the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

Section 3 Functional Committees

Article 27

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the Company, in consideration of the Company's scale and type of operations and the number of its board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation.

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 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 powers of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

Article 28

The Company shall establish an audit committee.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The exercise of power by audit committee and independent directors and related 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 28-1

The Company shall establish a remuneration committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

Article 28-2

The Company is advised to establish a nomination committee and its articles of association. It is advisable that a majority of the members of said committee be independent directors and an independent director be its Chairman.

Article 28-3

The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, appropriately restrict access to such files, and formulate internal procedures.

Article 29

To improve the quality of its financial reports, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any

irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between the independent directors, audit committee, and the attesting CPA.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for 7 years consecutively, 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 30

It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the directors, the supervisors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

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

The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Company.

Section 4 Rules for the Proceedings and Decision-Making Procedures of Board Meetings

Article 31

The board of directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no

later than 7 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, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32

Company directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

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

Article 33

When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of directors meeting.

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and filed

on the MOPS two hours before the beginning of trading hours on the first business day after the date of the board meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.

2. The matter was not approved by the audit committee (if the company has set up an audit committee), but had the consent of 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, sit in at the meetings, make reports on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34

Staff personnel of the Company attending 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 minutes of the board of directors meetings shall be signed by the Chairman and secretary of the meeting and sent to each director within 20 days after the meeting.

The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the Company.

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

The Company shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors 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 of directors meeting is held via teleconference or 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 of the board of directors violates laws, regulations, the articles of incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35

The Company shall submit the following matters to its board of directors for discussion:

1. Corporate business plans.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an internal control system.
4. 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, extension of monetary loans to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managerial officers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.
9. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
10. 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 resolution at a meeting of 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 its 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 36

The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to 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 37

Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

It is advisable that the Company formulate rules and procedures for board of directors performance assessments. Each year, in respect of the board of directors and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment of the board of directors shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the Company's needs:

1. The degree of participation in the Company's operations.
2. Improvement in the quality of decision making by the board of directors.
3. The composition and structure of the board of directors.
4. The election of the directors and their continuing professional education.

The performance assessments of board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments made

on the basis of the Company's needs:

1. Their grasp of the Company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the Company's operations.
4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.

It is advisable that the Company conduct performance assessments of a functional committee, covering the following aspects, with appropriate adjustments made on the basis of the Company's needs:

1. Their degree of participation in the Company's operations.
2. Their recognition of the duties of the functional committee.
3. Improvement in the quality of decision making by the functional committee.
4. The composition of the functional committee, and election and appointment of committee members.

The Company is advised to submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.

Article 37-1

It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the board of directors to ensure sustainable operation.

Article 37-2

The board of directors is advised to evaluate and monitor the following aspects of the Company's direction of operation and performance in connection with intellectual properties, to ensure the Company develops an intellectual property regulatory system in accordance with the Plan-Do-Check-Act cycle:

1. Formulate intellectual property regulatory policies, objectives and systems that are slightly associated with the operational strategies.
2. Develop, implement and maintain on the basis of scale and form its regulatory systems governing the procurement, protection, maintenance and utilization of intellectual properties.
3. Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.

4. Observe internally and externally the risks and opportunities that intellectual property regulation may present and adopt corresponding measures.

5. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory regime meet the Company's expectations.

Article 38

If a resolution of the board of directors violates law, regulations or the Company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible. Upon discovering a likelihood that the Company would suffer material injury, members of the board of directors shall immediately report to the audit committee, or an independent director member of the audit committee in accordance with the foregoing paragraph.

Article 39

The Company shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

Article 40

Members of the board of directors 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 occupancy. They shall also ensure that the Company's employees at all levels will enhance their professionalism and knowledge of the law.

Chapter IV Respecting Stakeholders' Rights

Article 41

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 designate a stakeholders section on its website.

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 42

The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its 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 43

The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 44

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 give serious regard to the Company's social responsibility.

Chapter V Improving Information Transparency

Section 1 Enhancing Information Disclosure

Article 45

The Company shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE and TPEx rules.

The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 46

In order 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 and business conditions and who are capable of coordinating among departments for gathering relevant information 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 his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

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

Article 47

In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, 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 specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 48

The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TWSE or TPEX rules.

Section 2 Disclosure of Information on Corporate Governance

Article 49

The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy).
3. Structure, professionalism and independence of the board of directors.
4. Responsibility of the board of directors and managerial officers.
5. Composition, duties and independence of the audit committee.
6. Composition, duties and operation of the remuneration committee and other functional committees.
7. The remuneration paid to the directors, general manager and vice general manager in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors shall be disclosed.
8. The progress of training of directors.
9. The rights, relationships, avenues for complaint, concerns, and appropriate

response mechanism regarding stakeholders.

10. Details of the events subject to information disclosure required by law and regulations.

11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the Company and these Principles, and the reason for the differences.

12. Other information regarding corporate governance.

The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

Chapter VII Supplementary Provisions

Article 50

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

Article 51

Any matters not stipulated in the Principles shall be governed by relevant laws and regulations such as the Company Act, Securities and Exchange Act, and general practices.

Article 52

The Principles shall be implemented after the board of directors grants the approval, the same procedure shall be followed when the Principles have been amended.

Phison Electronics Corporation
Corporate Social Responsibility Best Practice Principles

Chapter I General Principles

Article 1

In order to fulfill corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the Company promulgates the Corporate Social Responsibility Best Practice Principles (“the Principles”) with reference to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM.

Article 2

The Principles apply to the entire operations of the Company and its business group. The Company actively fulfills their corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.

Article 3

In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

The Company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.

Article 4

To implement corporate social responsibility initiatives, the Company is advised to follow the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of corporate social responsibility information.

Article 5

The Company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing the Company's policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting.

When a shareholder proposes a motion involving corporate social responsibility, the Company's board of directors is advised to review and consider including it in the shareholders meeting agenda.

Chapter 2 Exercising Corporate Governance

Article 6

The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article 7

The Company shall exercise the due care of good administrators to urge the Company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the Company's performance of its corporate social responsibility initiatives:

1. Identifying the Company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
2. Making corporate social responsibility the guiding principle of the Company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8

The Company is advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9

For the purpose of managing corporate social responsibility initiatives, the Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.

Article 10

The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the Company, and establish a designated section for stakeholders on the Company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which the Company is concerned about.

Chapter 3 Fostering a Sustainable Environment

Article 11

The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12

The Company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13

The Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the Company's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14

The Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

Article 15

The Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

1. Reduce resource and energy consumption of their products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
3. Improve recyclability and reusability of raw materials or products.
4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

Article 16

To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures.

The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article 17

The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures.

The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

The Company is advised to compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The Company's carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on climate change.

Chapter 4 Preserving Public Welfare

Article 18

The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the Company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
4. In the event of any infringement of human rights, the Company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. The Company shall respond to any employee's grievance in an appropriate manner.

Article 19

The Company shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the Company has business operations.

Article 20

The Company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents. The Company is advised to organize training on safety and health for their employees on a regular basis.

Article 21

The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The Company shall establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22

The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

The Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 22-1

The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. The Company shall also develop the relevant strategies and specific measures for implementation.

Article 23

The Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of their products and services. They further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers. .

Article 24

The Company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries. The Company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25

The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society. The Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and the Company shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26

The Company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

The Company is advised to establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights. Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the Company enters into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27

The Company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community

education to promote community development.

Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information

Article 28

The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency. Relevant information relating to corporate social responsibility which the Company shall disclose includes:

1. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for realizing the corporate social responsibility initiatives established by the Company, and performance in implementation.
4. Major stakeholders and their concerns.
5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
6. Other information relating to corporate social responsibility initiatives.

Article 29

The Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
2. Major stakeholders and their concerns.

3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
4. Future improvements and goals.

Chapter 6 Supplementary Provisions

Article 30

The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Article 31

The Principles shall be implemented after the board of directors grants the approval, the same procedure shall be followed when the Principles have been amended.

Phison Electronic Corporation
Ethical Corporate Management Best Practice Principles

Article 1 Purpose of adoption and scope of application

These Ethical Corporate Management Best Practice Principles (“Principles”) are enacted for the purpose of establishing a corporate culture with ethical management, healthy development, and implementing a reference framework of good commercial operations.

The scope of these Principles are applicable this Company’s subsidiaries, affiliates, and other organizations or entities that have substantive control over this Company (hereinafter “Groups”)

Article 2 Applicable Subjects

The “Company Personnel” in these Principles refers to this Company and its Groups’ directors, managers, employees and people who have substantive control over this Company.

Any provision, promise, request, or acceptance of money, gifts, commissions, positions, services, preferential treatment, rebates, facilitating payment, hospitality, entertainment and other improper benefits, to the Company Personnel, in any forms or names by the third party, will be presumed as an act by the Company Personnel.

Article 3 Unethical Conduct

“Unethical Conduct” in these Principles refers to those engaged by the Company Personnel during the course of business to acquire or maintain benefits, including either the direct or indirect provision, acceptance, promises, or requests of any improper benefits, or unethical, illegal behaviors, or breach of fiduciary duty.

The objects referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, public or privately owned businesses or institutions, and their directors, supervisors, managers, employees, substantial controllers, or other stakeholders.

Article 4 Types of benefits

“Benefits” in these Principles means money, gratuity, gifts, commissions, positions, services, preferential treatment, rebates, facilitating payment, hospitality, entertainment, or any other items of values in whatever forms or names.

Article 5 Responsible unit

The Human Resources Department of this Company will take charge of the modification of these Principles, with regularly reporting to Corporate Sustainability Management Committee.

This Company designate the Corporate Sustainability Management Committee as the solely responsible unit (hereinafter “Responsible Unit”), with allocating sufficient resources and adequate personnel to conduct the revision, performance, interpretation, archives for advisory services and the content of reports, and overseeing the implementation. The Responsible Unit shall be in charge of the following matters, and also submit regular reports to the board of directors (at least one time a year).

- (1) Assisting in incorporating ethics and moral values into this Company’s business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management comply with the requirements of laws and regulations.
- (2) Regularly analyzing and evaluating the risks of unethical conduct within the scope of business, and formulating programme accordingly for the prevention on unethical conduct, standardized operating procedure and guideline relevant to the course of business based upon the scope of each programme.
- (3) Planning the internal organization, structure, allocation of responsibilities, and setting up check-and-balance mechanisms and mutual-supervision for the business activities subject to a higher risk of unethical conduct.
- (4) Dissemination and coordination of the training of ethical policy.
- (5) Developing a system for reporting to ensure the effectiveness of implementation.
- (6) Assisting the board of directors and management in auditing and assessing whether the prevention measures for the ethical management are operating effectively, with regularly assessing the relevant operating procedures for business and preparing reports therefrom.
- (7) Producing and properly maintaining relevant documented information in relation to the ethical management policy, compliance statement, implementation commitment and the status for implementation.

Article 6 Prohibition against providing or accepting improper benefits

The Company shall comply with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, these Principles, and related procedures

before providing, accepting, promising, and requesting, directly or indirectly any benefits specified in Article 4 of these Principle; and this Company's ethical management procedures in RBA and Code of Conducts for staff shall still be followed, provided that the following matters occur:

- (1) Comply with the laws and regulations in the country where the Company is located.
- (2) Domestic (or foreign) visits, reception of guests, commercial promotion, and communicate and coordinate that are conducted for commercial needs, in accordance with local courtesy, practices or customs.
- (3) Attend or invite others to the normal social activities held by others, based on normal social customs, commercial purposes or facilitating relationship.
- (4) Invitations to customers, attendance at commercial activities or factory visits based upon commercial needs, provided that the method of payment, number of participants, class of accommodations and the period for the event or visit have been specified in advance.
- (5) Attendance at folk festivals that are held by and open to the general public.
- (6) Rewards, emergency assistance, condolence payment, or honorariums from the management.
- (7) Cash is not accepted; and for gifts or property given by another party to the Company Personnel, its total market value shall be NT\$1,000 or less.
- (8) Other conducts that comply with the rules of the Company.

Article 7 Procedures for handling the acceptance of improper benefits

Except for the circumstances specified in the preceding Article, "Acceptance of Hospitality (Gift) / Personal Benefits Declaration Form" shall be filled by the Company Personal after he/she receives the benefits specified in Article 4 of these Principles, in relation to the direct or indirect provision or promises given by another party, and it shall be submitted to the competent supervisor for approval and authorization of appropriate procedure for handling.

Article 8 Prohibition of facilitating payment and handling procedures

This Company shall neither provide nor promise any facilitating payments. If any Company Personnel provides or promises any facilitating payments under threat or intimidation, he/she shall record, inform to their direct supervisor, and notify the Responsible Unit.

Responsible Unit shall take immediate action after the aforementioned notification and review relevant facts to reduce the risk of reoccurrence.

In the event that any alleged illegality is discovered, the notification to judicial organs shall be made immediately.

Article 9 Procedures for handling political contributions

Political contributions by this Company shall be made only after being reported to and approved by the board of directors:

- (1) Confirm the political contributions is compliance with the laws and regulations governing political contribution in the country where the recipient is located, including the maximum amount and the form in which the contributions may be made.
- (2) A written record of the decision-making process shall be made.
- (3) Account entries shall be made for all political contributions in accordance with applicable laws and regulation, and relevant procedure for accounting treatment.
- (4) Commercial dealings, application for permits, or carrying out other matters associated with the Company's interest with the related government agencies shall be avoided, during the process of making political contributions.

Article 10 Procedures for handling charitable donations or sponsorships

This Company provide charitable donations or sponsorships in accordance with the following items:

- (1) Comply with the laws and regulations of the country where the Company is operated.
- (2) Keep the written record of the decision-making process.
- (3) The purpose of the charitable donations shall be for public welfare but not for those regarded as the equivalent of bribery.
- (4) The rewards for the sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company in commercial dealings or a stakeholder with Company Personnel.
- (5) After the charitable donation or sponsorship, the destination to which the money flows shall be consistent with the purpose of the donation.

Article 11 Recusal

This Company directors shall uphold high self-discipline, and with respect to the proposal connected with the interests of itself, the juristic person it represents, which may impair the interest of the Company, the directors can present its opinions and comments, and shall

recuse itself from any discussion and voting including exercising voting rights as a proxy on behalf of another director. The directors shall exercise discipline among themselves, and shall not support each other in an inappropriate manner.

In the event that any Company Personnel has discovered a potential conflict of interests connected with itself, or existing between itself and the juristic person it represent, or in the circumstances which may let itself, its spouse, parents, children or a stakeholder with itself gain improper benefit, directors shall notify to its direct supervisor and Responsible Unit, and the proper instruction shall be made by its direct supervisor. Neither shall any Company Personnel make use of the Company resources to conduct anything out of the scope of the Company's commercial activities, nor shall any Personnel's job performance be affected by its involvement in the commercial activities other than those of this Company.

Article 12 Special unit in charge of confidential regime and its responsibilities

This Company shall set up a special unit in charge of the formulation and implementation for managing, preserving, and maintaining confidentiality of this Company's trade secrets, with conducting periodical reviews on the results of implementation, to ensure the continuance of the confidentiality procedures' effectiveness.

Company Personnel shall follow the operational directions pertaining Company's trade secrets. Except otherwise provided by the aforementioned directions, Company Personnel shall neither disclose the Company's trade secrets they acquired to others, nor inquire or collect Company's trade secrets irrelevant to their duties.

Article 13 Prohibition against unfair competitive activities

This Company shall engage in business activities in accordance with Fair Trade Act, and applicable competition laws and regulations, which shall neither fix prices, make rigged bids, establish output restrictions or quotas, nor share or divide markets by allocating customers, suppliers, territories, or types of commerce.

Article 14 Prohibition against insider trading and disclosure of confidential information

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and shall not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information

to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a nondisclosure agreement in which they undertake not to disclose to any other party any trade secrets or other material information of the Company they acquired therefrom, and the usage of the said information is prohibited without the prior consent of the Company.

Article 15 Prohibition against infringing of intellectual property rights

The Company Personnel shall comply with the relevant laws and regulations, Company's internal operating procedures, and contractual provisions, in relation to intellectual property. Without the prior consent of the intellectual property rights holder, the Company Personnel shall neither use, disclose, dispose, damage, nor infringe the intellectual property rights by any other conduct.

Article 16 Prevention of damages to stakeholders brought by products or services

The Company shall collect, understand and observe the applicable laws and regulations, and international standards where its products and services shall be governed by, and shall gather and publish the matters that need to be brought to the attention, to ensure the transparency and safety of the products and services' information, during the course of the Personnel's research, procurement, manufacture, provision, or sale of products and services.

The Company shall adopt and publish on its website a policy regarding the protection of the rights and interests of consumers or other stakeholders, to prevent its products and services from undermining their rights, interests, health and safety, directly or indirectly.

Where there are media reports, or sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall investigate and verify the facts, with proposing a review and improvement plan.

Article 17 Compliance and announcement of policy of ethical management

The Company shall disclose its ethical management policy in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in its external activities, in order to make its suppliers,

customers, or other business-related institutions and personnel fully aware of the concepts and rules with respect to its ethical management.

Article 18 Ethical management evaluation prior to development of commercial Relationships

Before developing a commercial relationship with another party, such as agent, supplier, customer or other trading counterparties shall be made, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party operates business in a fair and transparent manner and will not request, offer or take bribes.

In the case that the Company carries out the evaluation under the preceding paragraph, it shall adopt appropriate audit procedures for reviewing its trading counterparties regarding the following items, in order to gain a comprehensive knowledge of its ethical management:

- (1) The enterprise's nationality, location of business operations, organizational structure, management policy, and place where it will make payment.
- (2) Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- (3) Whether the enterprise's business operations are located in a country with a high risk of corruption.
- (4) Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- (5) The long-term business conditions and the business reputation.
- (6) Consultation with the enterprise's business partners on their opinion of the enterprise.
- (7) Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 19 Statement of ethical management policy to trading counterparties

Company Personnel shall state the Company's ethical management policy and related rules to its trading counterparties, and shall explicitly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever forms or names.

Article 20 Avoidance of commercial dealings with unethical operations

Company Personnel shall avoid business transactions with an agent, supplier, customer, or another counterparty in commercial interactions that is involved in unethical management. In the event that the counterparty or cooperated party is found to have engaged in unethical

conduct, the Company Personnel shall immediately cease commercial interactions with the aforementioned violators and add it to the blacklist for any further business interactions, in order to effectively implement the ethical management policy in this Company.

Article 21 Stipulation of terms of ethical management in contracts:

Before entering into a contract with another party, this Company shall fully understand another party's status of ethical management, and the provisions regarding ethical management shall be stipulated in the terms and conditions of the contracts, with specifying the following items in the contracts:

- (1) Any party to the contract becomes aware that any Personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been damages resulting therefrom to the other party ("Injured Party"), the Injured Party can claim damages from the defaulting party, and the full amount of damages can be deducted from the contract price payable.
- (2) Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party can terminate or rescind the contract unconditionally at any time.
- (3) Stipulate specific and reasonable payment terms, including the place and the method of payment, and the requirement for compliance with relevant tax laws and regulations.

Article 22 Handling of unethical conducts by Company Personnel

The following channels are adopted in accordance with this Company rules for reports, in the event that any Company Personnel may have involvement in contravention of laws or contravention of these Principles:

- (1) Window for whistleblower: Supervisors of Department of Administrative Management.
- (2) Suggestion boxes: whistleblower shall specify his/her name, department, and extension number. Responsible departments that receive the report shall keep confidential of the whistleblower information.

This Company shall investigate the relevant evidences and facts as it discovers or receives the report regarding the Company Personnel's unethical conducts. If a person being

informed of is confirmed to have violated the applicable laws and regulations, or the Company's policy and regulations regarding the ethical management, the Company shall immediately request the violator to cease any relevant conducts, and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation, its rights and interests.

With respect to the unethical conducts incurred, the Company shall ask relevant departments to review related internal controlling systems, operating procedures, and proposing improvements to prevent recurrence.

Article 23 Actions upon event of unethical conducts by others towards this Company

If any Company Personnel discovers that any other party has engaged in unethical conduct towards this Company, and such unethical conduct involve alleged illegality, this Company shall report the relevant facts to the judicial and prosecutorial authorities; In the event where a public service agency or public official is involved, this Company shall notify the governmental anti-corruption agency.

Article 24 Internal advocacy, establishment of a system for rewards, penalties, complaints, and related disciplinary measures.

Ethical management shall be included in the evaluations of employee performance and human resources policy by this Company, and the clear and effective systems for rewards, penalties, and complaints shall be established.

If any Company Personnel seriously violates ethical conducts, this Company shall dismiss the aforementioned personnel from his/her position or terminate his/ her employment in accordance with applicable laws and regulations, employment contracts, or other contracts signed between the aforementioned personnel and the Company.

Article 25 These Principles and any amendments hereto, shall be implemented after adoption by resolution of the board of directors meeting.

These Principles were made as of 13th July, 2020.

**Comparison Table for Amendments to Code of Ethical Conduct
(Formerly known as the “Code of Ethical Conduct for Directors, Supervisors and Managers”)**

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Amended the Procedures name	Code of Ethical Conduct of Directors, Supervisors, and Managers.	Amended the Procedures name	Code of Ethical Conduct.	Amend according to the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM”.
Article 1	Objective In order to lead the Director, Supervisor, and Manager to abide by the code of ethical conduct when engaging in business activities and to guide the Company’s stakeholders to understand the Company’s ethical standards and code of conduct better, this Code of Ethical Conduct (the Code) is hereby specially stipulated for compliance. The Director who assumes as the President	Article 1	Objective In order to lead the Director and Manager to abide by the code of ethical conduct when engaging in business activities and to guide the Company’s stakeholders to understand the Company’s ethical standards and code of conduct better, this Code of Ethical Conduct (the Code) is hereby specially stipulated for compliance. The Director who assumes as the President	Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	concurrently shall read the applicable code of conduct for employees while reading this Code.		concurrently shall read the applicable code of conduct while reading this Code.	
Article 2	Eligible Entities The Director, Supervisor , and Manager of the Company as well as the President and equivalent, vice president and equivalent, Finance assistant manager and equivalent, Finance Department Manager, Accounting Department Manager, and other personnel who have the right to manage affairs and sign for the Company. (Hereinafter referred to as the Manager)	Article 2	Eligible Entities The Director and Manager of the Company as well as the President and equivalent, vice president and equivalent, assistant manager and equivalent, Finance Department Manager, Accounting Department Manager, and other personnel who have the right to manage affairs and sign for the Company. (Hereinafter referred to as the Manager)	Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.
Article 4	Paragraph 1 : Omitted. Subparagraph 1 : Omitted. 2. Avoidance of Seeking Personal Interests, Prevention of Interest Conflicts and Interest Avoidance The interest conflict refers to that the	Article 4	Paragraph 1 : Omitted. Subparagraph 1 : Omitted. 2. Avoidance of Seeking Personal Interests, Prevention of Interest Conflicts and Interest Avoidance The interest conflict refers to that the	1. Established audit committee to replace the supervisors and Delete the part of the clause related

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>Manager of the Company must make a choice between his/her own interest and the Company's interest.</p> <p>The interest conflict often makes others question the Company's image. The service to the Company shall not depend on personal interests. The Manager is obligated to act in the best interests of the Company to avoid any interest conflicts.</p> <p>(1) The Manager of the Company shall deal with official business in an objective, neutral, and efficient manner and shall not gain improper interests for himself/herself, spouses, parents, children, or relatives within two degrees of kinship by taking advantage of their positions. In case that the Company and the affiliated enterprises of the aforesaid personnel have any</p>		<p>Manager of the Company must make a choice between his/her own interest and the Company's interest.</p> <p>The interest conflict often makes others question the Company's image. The service to the Company shall not depend on personal interests. The Manager is obligated to act in the best interests of the Company to avoid any interest conflicts.</p> <p>(1) The Manager of the Company shall deal with official business in an objective, neutral, and efficient manner and shall not gain improper interests for himself/herself, spouses or relatives within two degrees of kinship by taking advantage of their positions. In case that the Company and the affiliated enterprises of the aforesaid personnel have any loan or guarantee, major asset</p>	<p>to the supervisor.</p> <p>2. Amend according to the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM".</p> <p>3. Amend according to the Company operating requirements.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>loan or guarantee, major asset transaction or purchase (sale) transactions, the relevant personnel of this Company shall actively state whether they have potential interest conflicts with the Company. The Manager shall not have direct economic relation with the Company except as authorized by the Board of Directors of the Company (hereinafter referred to as "the Board of Directors").</p> <p>(2) The Manager shall avoid interest conflicts related to his/her duties and shall not engage in any business, investment or activities that may have an impact on the Company's interest or conflict with the Company's interests, including but not limited to (1) seeking</p>		<p>transaction or purchase (sale) transactions, the relevant personnel of this Company shall actively state whether they have potential interest conflicts with the Company. The Manager shall not have direct economic relation with the Company except as authorized by the Board of Directors of the Company (hereinafter referred to as "the Board of Directors").</p> <p>(2) The Manager shall avoid interest conflicts related to his/her duties and shall not engage in any business, investment or activities that may have an impact on the Company's interest or conflict with the Company's interests, including but not limited to (1) seeking</p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>personal interests by taking advantage of the Company's assets, information or their positions (2) transmitting the Company's interests or resources to themselves or relatives or friends (3) risk of harming the Company's interests by negotiating with or conducting transactions with the Company for themselves or relatives or friends (4) investment of other companies, plants that are related to the Company's business for competing with the Company</p> <p>Subparagraph 3 : Omitted.</p> <p>4. Fair Trade</p> <p>The Manager of the Company shall treat customers, suppliers, competitors, and employees fair impartially as much as possible. Any Director, Supervisor, or</p>		<p>personal interests by taking advantage of the Company's assets, information or their positions (2) transmitting the Company's interests or resources to themselves or relatives or friends (3) risk of harming the Company's interests by negotiating with or conducting transactions with the Company for themselves or relatives or friends (4) investment of other companies, plants that are related to the Company's business for competing with the Company</p> <p>Subparagraph 3 : Omitted.</p> <p>4. Fair Trade</p> <p>The Manager of the Company shall treat customers, suppliers, competitors, and employees fair impartially as much as possible. Any Director or Manager shall not</p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>Manager shall not gain improper interests from anyone through manipulating, concealing, and abusing information known from their duties, making false statements to major events or other deliberate unfair trade effects. Furthermore, he/she shall not engage in the following illegal acts with the representatives of competitors:</p> <p>(1) Jointly setting price</p> <p>(2) Distributing and carving up the market or customers.</p> <p>(3) Boycotting or refusing other customer, supplier or competitor transaction jointly.</p> <p>(4) Engaging in other illegal limited competition behavior.</p> <p>Subparagraph 5 : Omitted.</p> <p>6. Complying with Laws and Regulations</p> <p>The Manager of the Company shall comply</p>		<p>gain improper interests from anyone through manipulating, concealing, and abusing information known from their duties, making false statements to major events or other deliberate unfair trade effects. Furthermore, he/she shall not engage in the following illegal acts with the representatives of competitors:</p> <p>(1) Jointly setting price</p> <p>(2) Distributing and carving up the market or customers.</p> <p>(3) Boycotting or refusing other customer, supplier or competitor transaction jointly.</p> <p>(4) Engaging in other illegal limited competition behavior.</p> <p>Subparagraph 5 : Omitted.</p> <p>6. Complying with Laws and Regulations</p> <p>The Manager of the Company shall comply</p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>with all the laws, rules, and orders that regulate the business activities of the Company, including insider trading laws, relevant policies, and procedures established by the Company for the Director's, Supervisor's and Manager's compliance. The trade of marketable securities of the Company shall be subject to the relevant policies of securities trading established by the Company.</p> <p>The business activities of the Company are subject to the relevant laws and regulations of Taiwan and accept the market test and other regulatory monitoring.</p> <p>7. Any Illegal Actions or Actions that Breach the Moral Rule Are Encouraged to Be Reported. the Managers of the Company Shall Promote Ethnical Acts and Take the Following Measures to Ensure the</p>		<p>with all the laws, rules, and orders that regulate the business activities of the Company, including insider trading laws, relevant policies, and procedures established by the Company for the Director's, Supervisor's and Manager's compliance. The trade of marketable securities of the Company shall be subject to the relevant policies of securities trading established by the Company.</p> <p>The business activities of the Company are subject to the relevant laws and regulations of Taiwan and accept the market test and other regulatory monitoring.</p> <p>7. Any Illegal Actions or Actions that Breach the Moral Rule Are Encouraged to Be Reported. the Managers of the Company Shall Promote Ethnical Acts and Take the Following Measures to Ensure the</p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>Company:</p> <p>(1) Encouraging employees to discuss with the Director, Supervisor, Manager or other appropriate personnel when they have doubts about the best behavior for a particular situation.</p> <p>(2) Encouraging employees to report any breach of legal, regulatory orders, internal principles, or code of ethical conduct to appropriate personnel.</p> <p>(3) Informing employees that the Company prohibits retaliation against those who report in good faith.</p> <p>8. Procedures for Reporting Any Illegal Act or Breach of the Code of Ethical Conduct</p> <p>Any suspected violation of the Code shall be reported to a Supervisor, Manager, internal auditor, audit committee or other appropriate personnel immediately. Such</p>		<p>Company:</p> <p>(1) Encouraging employees to discuss with the Director, Manager or other appropriate personnel when they have doubts about the best behavior for a particular situation.</p> <p>(2) Encouraging employees to report any breach of legal, regulatory orders, internal principles, or code of ethical conduct to appropriate personnel.</p> <p>(3) Informing employees that the Company prohibits retaliation against those who report in good faith.</p> <p>8. Procedures for Reporting Any Illegal Act or Breach of the Code of Ethical Conduct</p> <p>Any suspected violation of the Code shall be reported to a Manager, internal auditor, audit committee or other appropriate personnel immediately. Such suspected</p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>suspected affairs shall be investigated by the Board of Directors or one or several persons designated by the Board. The Company also provides a complaint channel for the violator to state the reasons in the Board meeting and the Board will make a resolution accordingly. Those who are involved in violation shall avoid when the Board makes the resolution. The report of such suspected affairs in good faith will not result in retaliation. The reporters shall be anonymous and provided with proper protection by the Company to prevent unfair retaliation or treatment.</p> <p>Subparagraph 9 : Omitted.</p> <p>10. Complaint System</p> <p>When the Manager of the Company violates the Rule, if the evidence can be proved, the complaint will be filed</p>		<p>affairs shall be investigated by the Board of Directors or one or several persons designated by the Board. The Company also provides a complaint channel for the violator to state the reasons in the Board meeting and the Board will make a resolution accordingly. Those who are involved in violation shall avoid when the Board makes the resolution. The report of such suspected affairs in good faith will not result in retaliation. The reporters shall be anonymous and provided with proper protection by the Company to prevent unfair retaliation or treatment.</p> <p>Subparagraph 9 : Omitted.</p> <p>10. Complaint System</p> <p><u>In case of violations of these standards, directors of the Company shall request the Audit Committee for investigation.</u></p>	

Current Articles		Amended Articles		Amendment Explanation															
Item	Content	Item	Content																
	<p>promptly, and relevant proof evidence shall be submitted to appropriate personnel, Board of Directors or Shareholders' Meeting for discussion (the person concerned shall avoid to make the final resolution:</p> <table border="1"> <tr> <td>Violating unit</td> <td>Complaint-accepting unit</td> <td>Resolution-disciplinary unit</td> </tr> <tr> <td>Manager (President-excluded)</td> <td>President</td> <td>President-Board of Directors</td> </tr> <tr> <td>President</td> <td>Board of Directors</td> <td>Board of Directors</td> </tr> <tr> <td>Director</td> <td>Supervisor</td> <td>Shareholders' Meeting</td> </tr> <tr> <td>Supervisor</td> <td>Other-Supervisors</td> <td>Shareholders' Meeting</td> </tr> </table>	Violating unit	Complaint-accepting unit	Resolution-disciplinary unit	Manager (President-excluded)	President	President-Board of Directors	President	Board of Directors	Board of Directors	Director	Supervisor	Shareholders' Meeting	Supervisor	Other-Supervisors	Shareholders' Meeting		<p>However, if the Audit Committee itself violates these standards, other independent directors shall be requested for investigation. In the event the managers of the Company are punished for any violation of these standards, they shall explain their reasons and file an appeal at the Board meetings.</p>	
Violating unit	Complaint-accepting unit	Resolution-disciplinary unit																	
Manager (President-excluded)	President	President-Board of Directors																	
President	Board of Directors	Board of Directors																	
Director	Supervisor	Shareholders' Meeting																	
Supervisor	Other-Supervisors	Shareholders' Meeting																	
Article 7	<p>Implementation</p> <p>The Code shall be implemented after the Board of Directors approves and submitted to each Supervisor and the shareholders'</p>	Article 7	<p>Implementation</p> <p>The Code shall be implemented after the Board of Directors approves and submitted to Audit Committee and the shareholders' supervisors and</p>	<p>Established audit committee to replace the</p>															

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	meeting for reporting, the same applies to the amendments.		meeting; the same applies to the amendments.	Delete the part of the clause related to the supervisor.
Article 8	The Code was stipulated on December 24, 2014 The first amendment was made on March 17, 2015	Article 8	The Code was stipulated on December 24, 2014 The first amendment was made on March 17, 2015 <u>The second amendment was made on March 11, 2021</u>	Add the number of amendments and date of amendment.

2020 Annual Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

Opinion

We have audited the financial statements of Phison Electronics Corp. (the "Corporation") which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation's financial statements for the year ended December 31, 2020 is stated as follows:

Sales Revenue Recognition

Auditing standards generally accepted in the Republic of China presume that there is a risk of fraud in the recognition of sales revenue. Management may artificially inflate sales revenue due to pressure in meeting the sales target. The Corporation's customers are numerous and diverse, and the net sales of the Corporation for the year ended December 31, 2020 amounted to NT\$48,176,710 thousand. Therefore, there is a high possibility of abnormal sales from transactions with customers, and validity of such transactions may have a significant effect on the financial statements. Thus, the recognition of sales revenue has been identified as a key audit matter.

Our main audit procedures performed in response to this matter, included the following:

1. We understood and tested the process of sales revenue recognition and the design and implementation of the relevant internal controls.
2. We sampled the original sales orders, shipping documents, export declarations, and examined the process for the payment receipts to confirm the validity of sales transaction.
3. We checked if there were any instances of simultaneous purchases from and sales to the same entity. Where such situations existed, we further assessed the background of the entity and the goods purchased and sold in order to evaluate the reasonableness of the transactions and to confirm any instances of repeated purchases and sales.

Emphasis of Matter

As stated in Note 32 to the accompanying financial statements, the Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office (“District Prosecutorial Office”) from August 5, 2016 for alleged violation of the Securities and Exchange Act (the “Case”). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then, the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office (“High Prosecutors Office”) for reconsideration. On November 18, 2017, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center (“Investors Protection Center”) had filed two civil actions, respectively: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation’s board (“Removal Action”); (2) the second civil action was to claim compensation damage against the Corporation, its board of directors and other co-defendants on behalf of certain investors (“Class Action”). Those two civil actions were derivative litigations arising from the Case. The Corporation had already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. As such, our audit opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation’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 Corporation 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 Corporation’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 control.
2. Obtain an understanding of internal control 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 Corporation's internal control.
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 Corporation'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, 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 financial statements for the year ended December 31, 2020 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.

The engagement partners on the audits resulting in this independent auditors' report are Hsin-Wei Tai and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2021

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

PHISON ELECTRONICS CORP.

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 12,003,683	25	\$ 8,276,554	22
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	5,201,526	11	3,158,984	8
Financial assets at amortized cost (Notes 9 and 28)	293,860	1	20,383	-
Accounts receivable				
Non-related parties (Note 10)	5,346,886	11	5,333,785	14
Related parties (Notes 10 and 27)	669,288	1	564,913	1
Other receivables (Note 10)	275,957	1	409,011	1
Inventories (Note 11)	10,136,867	22	11,443,733	30
Prepayments	42,921	-	281,215	1
Other current assets	32,773	-	2,467	-
Total current assets	34,003,761	72	29,491,045	77
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	374,597	1	405,875	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 8)	199,247	-	213,736	1
Investments accounted for using the equity method (Note 12)	7,997,569	17	4,256,081	11
Property, plant and equipment (Note 13)	3,954,832	8	3,263,440	8
Right-of-use assets (Note 14)	33,221	-	32,840	-
Intangible assets (Note 15)	310,269	1	267,339	1
Deferred tax assets (Note 22)	375,927	1	345,395	1
Other non-current assets	33,702	-	4,202	-
Total non-current assets	13,279,364	28	8,788,908	23
TOTAL	\$ 47,283,125	100	\$ 38,279,953	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,452,480	3	\$ -	-
Contract liabilities	35,553	-	130,615	-
Accounts payable				
Non-related parties	2,163,954	5	2,252,521	6
Related parties (Note 27)	1,337,642	3	1,385,981	4
Other payables (Note 17)	5,963,775	13	4,050,837	11
Tax payable (Note 22)	83,727	-	597,762	2
Lease liabilities (Note 14)	15,054	-	12,520	-
Other current liabilities (Note 18)	627,577	1	549,427	1
Total current liabilities	11,679,762	25	8,979,663	24
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 22)	325,441	1	21,930	-
Lease liabilities (Note 14)	18,440	-	20,702	-
Net defined benefit liabilities (Note 19)	103,528	-	94,945	-
Guarantee deposits received	487	-	393	-
Total non-current liabilities	447,896	1	137,970	-
Total liabilities	12,127,658	26	9,117,633	24
EQUITY (Note 20)				
Common shares	1,970,740	4	1,970,740	5
Capital surplus	6,586,173	14	6,724,104	18
Retained earnings				
Legal reserve	4,306,531	9	3,850,715	10
Special reserve	176,125	-	380,927	1
Unappropriated earnings	22,281,239	47	16,411,959	43
Total retained earnings	26,763,895	56	20,643,601	54
Other equity	(165,341)	-	(176,125)	(1)
Total equity	35,155,467	74	29,162,320	76
TOTAL	\$ 47,283,125	100	\$ 38,279,953	100

The accompanying notes are an integral part of the financial statements.

PHISON ELECTRONICS CORP.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Gross sales	\$ 48,683,247	101	\$ 44,812,822	101
Less: Sales returns and allowances	<u>506,537</u>	<u>1</u>	<u>663,559</u>	<u>2</u>
Net sales	48,176,710	100	44,149,263	99
Other operating revenue	<u>173,717</u>	<u>-</u>	<u>330,012</u>	<u>1</u>
Total operating revenue	48,350,427	100	44,479,275	100
OPERATING COSTS (Notes 11, 21 and 27)	36,191,425	75	33,337,982	75
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS	<u>(4,069)</u>	<u>-</u>	<u>11,288</u>	<u>-</u>
GROSS PROFIT	<u>12,154,933</u>	<u>25</u>	<u>11,152,581</u>	<u>25</u>
OPERATING EXPENSES (Note 21)				
Marketing	879,042	2	636,791	1
General and administrative	719,547	1	618,075	1
Research and development	6,763,563	14	4,728,405	11
Expected credit gains (Note 10)	<u>(56,269)</u>	<u>-</u>	<u>(43,384)</u>	<u>-</u>
Total operating expenses	<u>8,305,883</u>	<u>17</u>	<u>5,939,887</u>	<u>13</u>
OPERATING INCOME	<u>3,849,050</u>	<u>8</u>	<u>5,212,694</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)				
Other income	119,952	-	156,663	-
Other gains and losses	614,931	1	26,933	-
Interest income	31,699	-	52,615	-
Share of profits (losses) of subsidiaries and associates (Note 12)	4,691,780	10	(106,453)	-
Financial costs	<u>(3,156)</u>	<u>-</u>	<u>(2,006)</u>	<u>-</u>
Total non-operating income and expenses	<u>5,455,206</u>	<u>11</u>	<u>127,752</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	9,304,256	19	5,340,446	12
INCOME TAX EXPENSE (Note 22)	<u>605,212</u>	<u>1</u>	<u>796,957</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>8,699,044</u>	<u>18</u>	<u>4,543,489</u>	<u>10</u>

(Continued)

PHISON ELECTRONICS CORP.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME FOR THE YEAR				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	\$ (7,434)	-	\$ (1,445)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(15,345)	-	58,967	-
Share of other comprehensive (loss) gain of subsidiaries and associates accounted for using the equity method	(31,905)	-	206,249	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	1,487	-	289	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive gain (loss) of subsidiaries and associates accounted for using the equity method	106,038	-	(58,260)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	<u>(30,630)</u>	<u>-</u>	<u>13,669</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>22,211</u>	<u>-</u>	<u>219,469</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,721,255</u>	<u>18</u>	<u>\$ 4,762,958</u>	<u>11</u>
EARNINGS PER SHARE (NT\$, Note 23)				
Basic	<u>\$ 44.14</u>		<u>\$ 23.05</u>	
Diluted	<u>\$ 43.01</u>		<u>\$ 22.78</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

PHISON ELECTRONICS CORP.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Retained Earnings				Other Equity			Total Equity
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Transacting Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	\$ 1,970,740	\$ 6,674,650	\$ 3,418,903	\$ -	\$ 15,228,504	\$ (67,908)	\$ (313,019)	\$ 26,911,870
Appropriation of the 2018 earnings	-	-	431,812	-	(431,812)	-	-	-
Legal reserve	-	-	-	380,927	(380,927)	-	-	-
Special reserve	-	-	-	-	(2,561,962)	-	-	(2,561,962)
Cash dividends - NT\$13 per share	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	47,085	-	-	-	-	-	47,085
Changes in percentage of ownership interests in subsidiaries	-	2,369	-	-	-	-	-	2,369
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	15,823	-	(15,823)	-
Net profit for the year ended December 31, 2019	-	-	-	-	4,543,489	-	-	4,543,489
Other comprehensive (loss) income for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,156)	(44,591)	265,216	219,469
BALANCE AT DECEMBER 31, 2019	1,970,740	6,724,104	3,850,715	380,927	16,411,959	(112,499)	(63,626)	29,162,320
Appropriation of the 2019 earnings	-	-	455,816	-	(455,816)	-	-	-
Legal reserve	-	-	-	(204,802)	204,802	-	-	-
Reversal of special reserve	-	-	-	-	(2,561,962)	-	-	(2,561,962)
Cash dividends - NT\$13 per share	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(335,315)	-	-	(28,215)	-	-	(363,530)
Changes in percentage of ownership interests in subsidiaries	-	(426)	-	-	-	-	-	(426)
Recognition of employee share options	-	197,810	-	-	-	-	-	197,810
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	17,374	-	(17,374)	-
Net profit for the year ended December 31, 2020	-	-	-	-	8,699,044	-	-	8,699,044
Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax	-	-	-	-	(5,947)	75,408	(47,250)	22,211
BALANCE AT DECEMBER 31, 2020	\$ 1,970,740	\$ 6,586,173	\$ 4,306,531	\$ 176,125	\$ 22,281,239	\$ (37,091)	\$ (128,250)	\$ 35,155,467

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 11, 2021)

PHISON ELECTRONICS CORP.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 9,304,256	\$ 5,340,446
Adjustments for:		
Depreciation	340,969	276,217
Amortization	200,124	157,195
Expected credit gains	(56,269)	(43,384)
Net loss (gain) on financial assets at fair value through profit or loss	27,217	(149,990)
Financial costs	3,156	2,006
Interest income	(31,699)	(52,615)
Dividend income	(82,471)	(77,813)
Compensation costs of employee share options	195,970	-
Share of (profits) losses of subsidiaries and associates	(4,691,780)	106,453
Loss (gain) on disposal of property, plant and equipment	2,218	(14,429)
Gain on disposal of investments for using the equity method	(961,153)	-
Write-down (reversal of write-down) of inventories	196,619	(63,700)
Unrealized (realized) gain on transactions	4,069	(11,288)
Unrealized loss on foreign currency exchange	102,380	83,862
Gains on modification of lease	(468)	-
Recognition of refund liabilities	261,975	363,490
Net changes related to operating assets and liabilities		
Accounts receivable	(89,098)	(700,786)
Other receivables	133,214	(157,014)
Inventories	1,110,247	(3,888,961)
Prepayments	220,899	(254,327)
Other current assets	(30,306)	6,054
Contract liabilities	(95,062)	96,349
Accounts payable	(133,668)	(1,126,222)
Other payables	1,936,510	772,583
Other current liabilities	(183,825)	(111,779)
Net defined benefit liabilities	1,149	673
Cash generated from operations	7,685,173	553,020
Interest paid	(2,657)	(2,006)
Income tax paid	(875,411)	(724,686)
Net cash generated from (used in) operating activities	<u>6,807,105</u>	<u>(173,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	8,674
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	246	-
Purchase of financial assets at amortized cost	(273,477)	-
Proceeds from sale of financial assets at amortized cost	-	10,193

(Continued)

PHISON ELECTRONICS CORP.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Purchase of financial assets at fair value through profit or loss	\$ (2,150,000)	\$ (138,733)
Proceeds from sale of financial assets at fair value through profit or loss	92,379	77,763
Proceeds from capital reduction of financial assets at fair value through profit or loss	19,140	8,730
Purchase of investments accounted for using the equity method	(967,452)	(1,012,895)
Net cash inflow on disposal of associates	1,776,295	-
Proceeds of the capital reduction of investments accounted for using the equity method	495,011	-
Payments for property, plant and equipment	(1,000,105)	(531,390)
Proceeds from disposal of property, plant and equipment	-	14,429
Increase in refundable deposits	(6,039)	(1,658)
Payments for intangible assets	(243,054)	(275,153)
Increase in prepayments for equipment	(23,461)	-
Interest received	31,525	53,242
Dividends received from associates	314,437	-
Other dividends received	<u>82,471</u>	<u>77,813</u>
Net cash used in investing activities	<u>(1,852,084)</u>	<u>(1,708,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,459,493	-
Increase (decrease) in guarantee deposits	94	(10)
Repayment of the principal portion of lease liabilities	(16,720)	(10,794)
Dividends paid	<u>(2,561,962)</u>	<u>(2,561,962)</u>
Net cash used in financing activities	<u>(1,119,095)</u>	<u>(2,572,766)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(108,797)</u>	<u>(46,335)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,727,129	(4,501,758)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>8,276,554</u>	<u>12,778,312</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 12,003,683</u>	<u>\$ 8,276,554</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

KHEIN SENG PUA
Chairman

March 11, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

Opinion

We have audited the consolidated financial statements of Phison Electronics Corp. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and 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, 2020 and 2019, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Sales Revenue Recognition

Auditing standards generally accepted in the Republic of China presume that there is a risk of fraud in the recognition of sales revenue. Management may artificially inflate sales revenue due to pressure in meeting the sales target. The Group's customers are numerous and diverse, and the net sales of the Group for the year ended December 31, 2020 amounted to NT\$48,307,304 thousand. Therefore, there is a high possibility of abnormal sales from transactions with customers and validity of such transactions may have a significant effect on the consolidated financial statements. Thus, the recognition of sales revenue has been identified as a key audit matter.

Our main audit procedures performed in response to this matter, included the following:

1. We understood and tested the process of sales revenue recognition and the design and implementation of the relevant internal controls.
2. We sampled the original sales orders, shipping documents, export declarations, and examined the process for the payment receipts to confirm the validity of sales transaction.
3. We checked if there were any instances of simultaneous purchases from and sales to the same entity. Where such situations existed, we further assessed the background of the entity and the goods purchased and sold in order to evaluate the reasonableness of the transactions and to confirm any instances of repeated purchases and sales.

Emphasis of Matter

As stated in Note 35 to the accompanying consolidated financial statements, the Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office ("District Prosecutorial Office") from August 5, 2016 for alleged violation of the Securities and Exchange Act (the "Case"). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then, the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office ("High Prosecutors Office") for reconsideration. On November 18, 2017, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center ("Investors Protection Center") had filed two civil actions, respectively: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation's board ("Removal Action"); (2) the second civil action was to claim compensation damage against the Corporation, its board of directors and other co-defendants on behalf of certain investors ("Class Action"). Those two civil actions were derivative litigations arising from the Case. The Corporation had already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. As such, our audit opinion is not modified in respect of this matter.

Other Matter

We have also audited the parent company only financial statements of Phison Electronics Corp. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with emphasis of matter paragraph.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment 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 control.
2. Obtain an understanding of internal control 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 control.
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 opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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, among other matters, 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 for the year ended December 31, 2020 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.

The engagement partners on the audits resulting in this independent auditors' report are Hsin-Wei Tai and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 14,961,122	31	\$ 10,205,257	27
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	5,494,720	12	3,440,905	9
Financial assets at amortized cost (Notes 9 and 31)	293,860	1	56,273	-
Accounts receivable				
Non-related parties (Note 10)	5,348,420	11	5,396,821	14
Related parties (Notes 10 and 30)	669,281	1	537,149	1
Other receivables (Note 10)	305,918	1	427,082	1
Current tax assets (Note 23)	4,635	-	45,499	-
Inventories (Note 11)	10,141,479	21	11,532,724	30
Prepayments	74,217	-	282,396	1
Other current assets	33,273	-	35,733	-
Total current assets	<u>37,326,925</u>	<u>78</u>	<u>31,959,839</u>	<u>83</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	437,236	1	459,306	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 8)	360,304	1	636,432	2
Investments accounted for using the equity method (Note 13)	4,007,874	8	1,644,159	4
Property, plant and equipment (Notes 14 and 31)	4,646,540	10	3,282,950	8
Right-of-use assets (Note 15)	32,384	-	32,840	-
Intangible assets (Note 16)	313,894	1	268,026	1
Deferred tax assets (Note 23)	375,960	1	346,732	1
Other non-current assets	62,835	-	6,496	-
Total non-current assets	<u>10,237,027</u>	<u>22</u>	<u>6,676,941</u>	<u>17</u>
TOTAL	<u>\$ 47,563,952</u>	<u>100</u>	<u>\$ 38,636,780</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 1,480,480	3	\$ -	-
Contract liabilities	35,553	-	130,615	-
Accounts payable				
Non-related parties	2,166,195	5	2,258,562	6
Related parties (Note 30)	1,289,722	3	1,384,097	4
Other payables (Note 18)	6,045,010	13	4,398,129	11
Tax payable (Note 23)	93,608	-	602,714	2
Lease liabilities (Note 15)	16,420	-	12,520	-
Current portion of long-term borrowings (Notes 17 and 31)	30,486	-	-	-
Other current liabilities (Note 19)	605,208	1	519,744	1
Total current liabilities	<u>11,762,682</u>	<u>25</u>	<u>9,306,381</u>	<u>24</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 31)	195,636	-	-	-
Deferred tax liabilities (Note 23)	325,441	1	21,930	-
Lease liabilities (Note 15)	16,212	-	20,702	-
Long-term deferred revenue	-	-	4,060	-
Net defined benefit liabilities (Note 20)	103,528	-	94,945	-
Guarantee deposits received	4,986	-	134	-
Total non-current liabilities	<u>645,803</u>	<u>1</u>	<u>141,771</u>	<u>-</u>
Total liabilities	<u>12,408,485</u>	<u>26</u>	<u>9,448,152</u>	<u>24</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)				
Common shares	1,970,740	4	1,970,740	5
Capital surplus	6,586,173	14	6,724,104	17
Retained earnings				
Legal reserve	4,306,531	9	3,850,715	10
Special reserve	176,125	-	380,927	1
Unappropriated earnings	22,281,239	47	16,411,959	43
Total retained earnings	26,763,895	56	20,643,601	54
Other equity	(165,341)	-	(176,125)	-
Total equity attributable to owners of the Corporation	<u>35,155,467</u>	<u>74</u>	<u>29,162,320</u>	<u>76</u>
NON-CONTROLLING INTERESTS				
Total equity	<u>35,155,467</u>	<u>74</u>	<u>29,188,628</u>	<u>76</u>
TOTAL	<u>\$ 47,563,952</u>	<u>100</u>	<u>\$ 38,636,780</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 30)				
Gross sales	\$ 48,787,954	101	\$ 44,973,895	101
Less: Sales returns and allowances	<u>480,650</u>	<u>1</u>	<u>637,192</u>	<u>2</u>
Net sales	48,307,304	100	44,336,703	99
Other operating revenue	<u>189,218</u>	<u>-</u>	<u>356,738</u>	<u>1</u>
Total operating revenue	48,496,522	100	44,693,441	100
OPERATING COSTS (Notes 11, 22 and 30)	<u>36,236,716</u>	<u>75</u>	<u>33,544,166</u>	<u>75</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(12,331)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>12,247,475</u>	<u>25</u>	<u>11,149,275</u>	<u>25</u>
OPERATING EXPENSES (Note 22)				
Marketing	876,567	2	601,933	1
General and administrative	788,866	1	676,893	1
Research and development	6,752,676	14	4,714,400	11
Expected credit gains (Note 10)	<u>(60,241)</u>	<u>-</u>	<u>(53,964)</u>	<u>-</u>
Total operating expenses	<u>8,357,868</u>	<u>17</u>	<u>5,939,262</u>	<u>13</u>
OPERATING INCOME	<u>3,889,607</u>	<u>8</u>	<u>5,210,013</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	430,640	1	300,397	1
Other gains and losses (Note 13)	4,856,299	10	27,872	-
Financial costs	(5,132)	-	(2,006)	-
Interest income	42,993	-	58,473	-
Share of profits (losses) of associates (Note 13)	<u>479,022</u>	<u>1</u>	<u>(243,815)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>5,803,822</u>	<u>12</u>	<u>140,921</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	9,693,429	20	5,350,934	12
INCOME TAX EXPENSE (Note 23)	<u>986,678</u>	<u>2</u>	<u>805,097</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>8,706,751</u>	<u>18</u>	<u>4,545,837</u>	<u>10</u>

(Continued)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME FOR THE YEAR				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	\$ (7,434)	-	\$ (1,445)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(107,664)	-	265,956	1
Share of other comprehensive income of associates accounted for using the equity method	60,414	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	1,487	-	289	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	106,330	-	(59,969)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 23)	<u>(30,630)</u>	<u>-</u>	<u>13,669</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>22,503</u>	<u>-</u>	<u>218,500</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,729,254</u>	<u>18</u>	<u>\$ 4,764,337</u>	<u>11</u>
NET PROFIT ATTRIBUTED TO:				
Owners of the Corporation	\$ 8,699,044	18	\$ 4,543,489	10
Non-controlling interests	<u>7,707</u>	<u>-</u>	<u>2,348</u>	<u>-</u>
	<u>\$ 8,706,751</u>	<u>18</u>	<u>\$ 4,545,837</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Corporation	\$ 8,721,255	18	\$ 4,762,958	11
Non-controlling interests	<u>7,999</u>	<u>-</u>	<u>1,379</u>	<u>-</u>
	<u>\$ 8,729,254</u>	<u>18</u>	<u>\$ 4,764,337</u>	<u>11</u>

(Continued)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (NT\$, Note 24)				
Basic	<u>\$ 44.14</u>		<u>\$ 23.05</u>	
Diluted	<u>\$ 43.01</u>		<u>\$ 22.78</u>	

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
	Common Shares	Capital Surplus	Legal Reserve	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
				Special Reserve	Legal Reserve						
BALANCE AT JANUARY 1, 2019	\$ 1,970,740	\$ 6,674,650	\$ 3,418,903	\$ -	\$ -	\$ 15,228,504	\$ (67,908)	\$ (313,019)	\$ 26,911,870	\$ -	\$ 26,911,870
Appropriation of the 2018 earnings	-	-	431,812	-	-	(431,812)	-	-	-	-	-
Special reserve	-	-	-	380,927	-	(380,927)	-	-	-	-	-
Cash dividends - NTS\$1 per share	-	-	-	-	-	(2,561,962)	-	-	(2,561,962)	-	(2,561,962)
Changes in capital surplus from investments in associates accounted for using the equity method	-	47,085	-	-	-	-	-	-	47,085	-	47,085
Changes in percentage of ownership interests in subsidiaries	-	2,369	-	-	-	-	-	-	2,369	(2,369)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	27,298	27,298
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	-	15,823	-	(15,823)	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	4,543,489	-	-	4,543,489	2,348	4,545,837
Other comprehensive (loss) income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(1,156)	(44,521)	265,216	(219,469)	(969)	(969)
BALANCE AT DECEMBER 31, 2019	1,970,740	6,724,104	3,850,715	380,927	16,411,959	(112,499)	(44,521)	(63,626)	29,162,320	26,308	29,188,628
Appropriation of the 2019 earnings	-	-	455,816	-	-	(455,816)	-	-	-	-	-
Legal reserve	-	-	-	(204,802)	-	204,802	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(2,561,962)	-	-	(2,561,962)	-	(2,561,962)
Cash dividends - NTS\$1 per share	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(335,315)	-	-	-	(28,215)	-	-	(363,530)	94	(363,436)
Changes in percentage of ownership interests in subsidiaries	-	(426)	-	-	-	-	-	-	(426)	333	(93)
Recognition of employee share options	-	197,810	-	-	-	-	-	-	197,810	-	197,810
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(34,734)	(34,734)
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	-	17,374	-	(17,374)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	8,699,044	-	-	8,699,044	7,707	8,706,751
Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(5,947)	75,408	(47,250)	22,211	292	22,503
BALANCE AT DECEMBER 31, 2020	\$ 1,970,740	\$ 6,586,173	\$ 4,306,531	\$ 176,125	\$ 22,281,239	\$ (37,091)	\$ (128,250)	\$ 35,155,467	\$ 35,155,467	\$ -	\$ 35,155,467

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 9,693,429	\$ 5,350,934
Adjustments for:		
Depreciation	377,747	293,221
Amortization	200,961	159,941
Expected credit gains	(60,241)	(53,964)
Net loss (gain) on financial assets at fair value through profit or loss	23,814	(154,451)
Financial costs	5,132	2,006
Interest income	(42,993)	(58,473)
Dividend income	(82,471)	(81,192)
Compensation costs of employee share options	197,810	-
Share of (profits) losses of associates	(479,022)	243,815
Loss (gain) on disposal of property, plant and equipment	2,282	(14,907)
(Gain) loss on disposal of investments	(5,202,580)	2,960
Write-down (reversal of write-down) of inventories	203,123	(63,347)
Unrealized gain on transactions with associates	12,331	-
Unrealized loss on foreign currency exchange	197,736	66,000
Gains on modification of lease	(468)	-
Recognition of refund liabilities	261,975	363,490
Net changes related to operating assets and liabilities		
Accounts receivable	(205,299)	(718,100)
Other receivables	126,753	(158,228)
Inventories	1,048,001	(3,892,546)
Prepayments	190,914	(255,137)
Other current assets	(10,615)	68,538
Contract liabilities	(92,481)	96,345
Accounts payable	(34,107)	(1,129,555)
Other payables	1,669,061	693,799
Other current liabilities	(171,443)	(187,786)
Net defined benefit liabilities	1,149	673
Deferred revenue	(1,060)	(10,008)
Cash generated from operations	7,829,438	564,028
Interest paid	(4,621)	(2,006)
Income tax paid	(1,222,691)	(762,238)
Net cash generated from (used in) operating activities	<u>6,602,126</u>	<u>(200,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(3,825)	(33,160)
Proceeds from sale of financial assets at fair value through other comprehensive income	144,485	112,653
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	246	-
Purchase of financial assets at amortized cost	(274,164)	-

(Continued)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from sale of financial assets at amortized cost	\$ -	\$ 10,944
Purchase of financial assets at fair value through profit or loss	(2,167,078)	(348,962)
Proceeds from sale of financial assets at fair value through profit or loss	92,379	99,958
Proceeds from capital reduction of financial assets at fair value through profit or loss	19,140	8,730
Acquisition of associates	(217,725)	(359,878)
Net cash inflow on disposal of associates	1,776,295	-
Net cash outflow on acquisition of subsidiaries	(316,430)	-
Net cash inflow on disposal of subsidiaries	1,713,062	-
Payments for property, plant and equipment	(1,057,251)	(534,637)
Proceeds from disposal of property, plant and equipment	177	15,008
(Increase) decrease in refundable deposits	(6,458)	632
Payments for intangible assets	(247,510)	(275,444)
Increase in prepayments for equipment	(53,049)	-
Interest received	43,189	59,240
Other dividends received	82,471	81,192
Dividends received from associates	<u>37,436</u>	<u>-</u>
Net cash used in investing activities	<u>(434,610)</u>	<u>(1,163,724)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,457,493	-
Repayments of long-term borrowings	(106,700)	-
Decrease in guarantee deposits	(254)	(10)
Repayment of the principal portion of lease liabilities	(15,506)	(10,794)
Dividends paid	(2,561,962)	(2,561,962)
(Decrease) increase in non-controlling interests	<u>(34,734)</u>	<u>27,298</u>
Net cash used in financing activities	<u>(1,261,663)</u>	<u>(2,545,468)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(149,988)</u>	<u>(61,731)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,755,865	(3,971,139)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>10,205,257</u>	<u>14,176,396</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 14,961,122</u>	<u>\$ 10,205,257</u>

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

Comparison Table for Amendments to Articles of Association of the Company

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 19-1	The annual earnings in the financial statements of the Company shall first be allocated to pay income tax and offset the accumulated losses of the preceding years before allocating 10% of the remaining earnings to the legal reserve, which is not applicable where the legal reserve has reached the total paid-in capital of the Company. In accordance with law or the competent authority, the Company shall also appropriate or reverse special reserves. With regard to the earnings and accumulated undistributed earnings, the Board of Directors shall submit an earnings distribution proposal to distribute dividends to shareholders, subject to the approval at the shareholders' meeting. The Company's dividend distribution policy shall consider the Company's current and	Article 19-1	The annual earnings in the financial statements of the Company shall first be allocated to pay income tax and offset the accumulated losses of the preceding years before allocating 10% of the remaining earnings to the legal reserve, which is not applicable where the legal reserve has reached the total paid-in capital of the Company. In accordance with law or the competent authority, the Company shall also appropriate or reverse special reserves. With regard to the earnings and accumulated undistributed earnings, the Board of Directors shall submit an earnings distribution proposal to distribute dividends to shareholders, subject to the approval at the shareholders' meeting. <u>Where the above earnings, legal reserves, and capital reserves are distributed in cash, the</u>	To cope with the amendments to the Company Law and the Company's operation requirements.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests, balance dividend and cater the long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. The dividend distribution of the shareholders of the Company can be distributed in cash or shares, in which the proportion of shareholders' cash dividend distribution is not less than 10% of the total dividends of the shareholders.</p>		<p><u>Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed by issuing new shares, it shall be resolved at the shareholders' meeting.</u></p> <p><u>Profit distribution or loss appropriation of the Company may be made upon the conclusion of every half fiscal year. When distributing earnings, the Company shall first estimate and retain the tax to be made, offset the accumulated losses, estimate and retain the employees' and directors' remuneration pursuant to paragraph, Article 19, before allocating 10% of the remaining earnings to the legal reserve, which is not applicable where the legal reserve has reached the total paid-in capital of the Company. In accordance with law or the competent authority, the Company shall also appropriate</u></p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p><u>or reverse special reserves. With regard to the earnings and accumulated undistributed earnings, the Board of Directors shall submit an earnings distribution proposal. Where the earnings are distributed in cash, the Board of Directors is authorized to approve the distribution by a resolution approved by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting. Where they are distributed by issuing new shares, it shall be resolved at the shareholders' meeting.</u></p> <p>The Company's dividend policy complies with the laws and regulations and the Articles of Association, takes into account the current and future competitions of the Company with domestic and foreign companies, investment environment, capital demand, capital budget, and shareholders' interests, striking a balance between dividends and the long-term financial planning of the Company, so as to</p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 21	<p>The Articles were established on October 24, 2000.</p> <p>The first amendment was made on November 21, 2000.</p> <p>The second amendment was made on September 5, 2001.</p> <p>The third amendment was made on February 15, 2002.</p> <p>The fourth amendment was made on April 9, 2002.</p> <p>The fifth amendment was made on June 25, 2002.</p>	Article 21	<p>foster sustainable operation and stable development. The dividend distribution of the shareholders of the Company can be distributed in cash <u>dividends</u> or share dividends, in which the proportion of shareholders' cash dividend distribution shall be <u>no</u> less than 10% of the total dividends of the shareholders.</p> <p>The Articles were established on October 24, 2000.</p> <p>The first amendment was made on November 21, 2000.</p> <p>The second amendment was made on September 5, 2001.</p> <p>The third amendment was made on February 15, 2002.</p> <p>The fourth amendment was made on April 9, 2002.</p> <p>The fifth amendment was made on June 25, 2002.</p>	<p>Add the number of amendments and date of amendment.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	The sixth amendment was made on March 26, 2003.		The sixth amendment was made on March 26, 2003.	
	The seventh amendment was made on November 12, 2003.		The seventh amendment was made on November 12, 2003.	
	The eighth amendment was made on June 15, 2004.		The eighth amendment was made on June 15, 2004.	
	The ninth amendment was made on March 17, 2005.		The ninth amendment was made on March 17, 2005.	
	The tenth amendment was made on June 16, 2005.		The tenth amendment was made on June 16, 2005.	
	The eleventh amendment was made on June 14, 2006.		The eleventh amendment was made on June 14, 2006.	
	The twelfth amendment was made on November 1, 2006.		The twelfth amendment was made on November 1, 2006.	
	The thirteenth amendment was made on June 13, 2007.		The thirteenth amendment was made on June 13, 2007.	
	The fourteenth amendment was made on June 13, 2008.		The fourteenth amendment was made on June 13, 2008.	
	The fifteenth amendment was made on May 8, 2009.		The fifteenth amendment was made on May 8, 2009.	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	The sixteenth amendment was made on June 15, 2010.		The sixteenth amendment was made on June 15, 2010.	
	The seventeenth amendment was made on June 15, 2011.		The seventeenth amendment was made on June 15, 2011.	
	The eighteenth amendment was made on June 11, 2013.		The eighteenth amendment was made on June 11, 2013.	
	The nineteenth amendment was made on June 17, 2014.		The nineteenth amendment was made on June 17, 2014.	
	The twentieth amendment was made on June 2, 2015.		The twentieth amendment was made on June 2, 2015.	
	The twenty-first amendment was made on June 15, 2016.		The twenty-first amendment was made on June 15, 2016.	
	The twenty-second amendment was made on June 13, 2017.		The twenty-second amendment was made on June 13, 2017.	
	The twenty-thirdly amendment was made on June 12, 2019.		The twenty-thirdly amendment was made on June 12, 2019.	
	The twenty-fourly amendment was made on June 3, 2020.		The twenty-fourly amendment was made on June 3, 2020.	
			<u>The twenty-fifthly amendment was made on May 28, 2021.</u>	

**Comparison Table for Amendments to Articles of Procedures for Election of Directors
(Original is: Procedures for Election of Directors and Supervisors)**

Item	Current Articles		Amended Articles		Amendment Explanation
	Item	Content	Item	Content	
Amended the Procedures name	Procedures of Election of Directors and Supervisors	Procedures name	Amended the Procedures name	Procedures of Election of Directors	Established audit committee to replace the supervisors and the name was amended the Procedures name.
Article 1	The elections of directors shall be conducted in accordance with these Procedures.	and supervisors	Article 1	Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.	According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.
	New in this article		Article 2	The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors.	1. New in this article. 2. According to

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p>The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:</p> <p>1. Basic requirements and values: Gender, age, nationality, and culture.</p> <p>2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</p> <p>Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:</p> <p>1. The ability to make judgments about operations.</p>	<p>the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p><u>2. Accounting and financial analysis ability.</u></p> <p><u>3. Business management ability.</u></p> <p><u>4. Crisis management ability.</u></p> <p><u>5. Knowledge of the industry.</u></p> <p><u>6. An international market perspective.</u></p> <p><u>7. Leadership ability.</u></p> <p><u>8. Decision-making ability.</u></p> <p><u>More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</u></p> <p><u>The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.</u></p>	
	New in this article	<u>Article 3</u>	<p><u>The qualifications for the independent directors of this Corporation shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Article 24 of the Corporate Governance Best-Practice</u></p>	<p>1. New in this article.</p> <p>2. According to the "Sample Template for XXX Co., Ltd.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 3-1	Elections of both directors (including independent directors) and supervisors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 and 216-1 of the Company Act. If the Company sets up the Audit Committee in accordance with Article 13-2 of the Articles of the Company, then the provisions of the Procedures concerning the supervisors shall cease to apply.	Article 4	<u>Principles for TWSE/GTSM Listed Companies.</u> Elections of both directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. When the number of directors falls below <u>five</u> due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies. When the number of independent directors falls below that required under the proviso of	Procedures for Election of Directors" to amend. 1. Article change. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend. 3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 3	The election of the Company's directors and supervisors adopts an open -cumulative ballot system. The number of voting rights represented by each share shall be the same as the number of directors to be elected and may be consolidated for the election of one director candidate or split for the election of multiple director candidates.	Article 5	<p>The election of the Company's directors 1. adopts a cumulative ballot system. The number of voting rights represented by each share shall be the same as the number of directors to be elected and may be consolidated for the election of one director candidate or split for the election of multiple director candidates.</p> <p>2.</p> <p>3. Established audit committee to replace the supervisors and</p>	Article change. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 2	For the election of the Company's directors and supervisors ; the Board of Directors shall prepare and separate the ballot of directors and supervisors , specify the number of voting rights associated with each ballot, and distribute them to the shareholders attending the shareholders' meeting. Shareholders' accounting numbers or attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.	Article 6	For the election of the Company's directors, the Board of Directors shall prepare ballots in the same number of the directors to be elected, specify the number of voting rights associated with each ballot, and distribute them to the shareholders attending the shareholders' meeting. <u>Attendance</u> card numbers printed on the ballots may be used instead of recording the names of voting shareholders.	Delete the part of the clause related to the supervisor. 1. Article change. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend. 3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 4	The specified number of directors and supervisors, according to the ballot statistics results, with the voting rights separately calculated for independent and non-independent directors or supervisor. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. If a shareholder is elected as a director or a supervisor at the same time, he shall, at his discretion, act as a director or a supervisor, and his / her vacancy shall be filled by the candidate with highest numbers of votes.	Article Z	<u>The number of Directors will be as specified in the Company's Articles of Association, with voting rights separately calculated for Independent and Non-Independent Director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes received.</u> When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chairman drawing lots on behalf of any person not in attendance.	1. Article change. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend. 3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 5	Before the election begins, the chairman shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. However the vote monitoring personnel shall have the shareholder status.	Article 8	Before the beginning of the election, the Chairman shall designate a number of shareholders to supervise the casting of the ballots and count the ballots, each of which shall then respectively perform their relevant functions accordingly. The Board of Directors shall prepare a ballot box for the election of directors, which shall be examined in public by the persons supervising the casting of ballots before the ballots are cast.	1. Article change. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.
Article 6	The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.		Delete this article.	1. Delete this article. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 7	Omitted.	Article 9	Omitted.	Article change.
Article 8	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. The ballot was not prepared by using these procedures. 2. A blank ballot is placed in the ballot box. 3. The writing is unclear and indecipherable or has been altered. 4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match. 	Article 10	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. The ballot was not prepared by using these procedures. 2. A blank ballot is placed in the ballot box. 3. The writing is unclear and indecipherable or has been altered. 4. <u>In case the candidate whose name is entered in the ballot is a shareholder, but the candidate's <u>name</u>, account name, and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is <u>not</u> a shareholder, and the candidate's name and identity card number do not <u>conform with</u></u> 	<ol style="list-style-type: none"> 1. Article change. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>5. Other words or marks are entered in addition to the candidate's account (name) or shareholder account number (or identity card number) and the number of voting rights allotted.</p> <p>6. No candidate's account (name) or shareholder account number (or identity card number) is entered.</p>		<p>the <u>director candidate list</u> after a <u>cross-check</u>.</p> <p>5. Other words or marks are entered in addition to the candidate's account (name) or shareholder account number (or identity card number) and the number of voting rights allotted.</p> <p>6. No candidate's account (name) or shareholder account number (or identity card number) is entered.</p>	
Article 9	<p>The directors are elected by independent directors and non-independent directors together, but the votes shall be counted separately for electing them respectively.</p>		<p><u>Delete this article.</u></p>	<p>1. Delete this article.</p> <p>2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 10	<p>The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors or supervisors and the numbers of votes with which they were elected, shall be announced by the chairman on the site.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year.</p> <p>If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	Article 11	<p>The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors <u>the numbers of votes with which they were elected, shall be announced by the chairman on the site.</u></p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year.</p> <p>If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation</p>	<ol style="list-style-type: none"> 1. Article change. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend. 3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor. 4. Discretionary text.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 11	The election of candidate who is disqualified by the Paragraphs 3 and 4 of Article 26-3 of the Taiwan Securities Exchange Act shall be ineffective.		Delete <u>this article.</u>	<ol style="list-style-type: none"> Delete this article. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.
Article 12	The board of directors of the Company shall issue notifications to the persons elected as directors or supervisors.	Article 12	The board of directors of the Company shall issue notifications to the persons elected as directors.	<ol style="list-style-type: none"> According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.. Established audit committee to replace the

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 13	Things that are not stipulated in the Procedures, shall be carried out in accordance with the Company Act, the Articles of the Company of the Company and the relevant laws and regulations.		Delete this article.	supervisors and Delete the part of the clause related to the supervisor.
Article 14	Omitted.	Article 13	Omitted.	1. Delete this article. 2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend. Article change.

Attachment 11

Comparison Table for Amendments to Procedures for Acquisition or Disposal of Assets

Current Articles		Amended Articles		Amendment Explanation																																																																			
Article	Content	Article	Content																																																																				
Article 5	<p>Operating Procedure</p> <p>1. Authorization Limit and Level</p> <p>(1) For acquisition or disposal of assets by the Company, the undertaker shall consolidate the information such as reason of acquisition or disposal, target object, counterpart, transfer price, payment conditions and price reference basis and submit to the Authority for approval depending on trading assets items. The regulations related to authorization limit and level of derivatives or others shall refer to the “Procedures for Engaging in Derivatives Trading” of company.</p> <table border="1"> <thead> <tr> <th rowspan="2">Item</th> <th rowspan="2">Amount</th> <th colspan="3">Authority</th> </tr> <tr> <th>Board of Directors</th> <th>Chairman</th> <th>General Manager</th> <th>Division Chief</th> </tr> </thead> <tbody> <tr> <td>Long-term securities investment (including long-term equity investment)</td> <td>Below 80 million (excluding)</td> <td></td> <td></td> <td>Approval</td> <td>Review</td> </tr> <tr> <td></td> <td>80 million (excluding) ~ 260 million (including)</td> <td></td> <td>Approval</td> <td>Review</td> <td>Review</td> </tr> <tr> <td></td> <td>Over 260 million (excluding)</td> <td>Approval</td> <td>Review</td> <td>Review</td> <td>Review</td> </tr> <tr> <td>Short-term securities investment</td> <td>Total amount per level below 100 million (including)</td> <td></td> <td></td> <td>Approval</td> <td>Review</td> </tr> </tbody> </table>	Item	Amount	Authority			Board of Directors	Chairman	General Manager	Division Chief	Long-term securities investment (including long-term equity investment)	Below 80 million (excluding)			Approval	Review		80 million (excluding) ~ 260 million (including)		Approval	Review	Review		Over 260 million (excluding)	Approval	Review	Review	Review	Short-term securities investment	Total amount per level below 100 million (including)			Approval	Review	Article 5	<p>Operating Procedure</p> <p>1. Authorization Limit and Level</p> <p>(1) For acquisition or disposal of assets by the Company, the undertaker shall consolidate the information such as reason of acquisition or disposal, target object, counterpart, transfer price, payment conditions and price reference basis and submit to the Authority for approval depending on trading assets items. The regulations related to authorization limit and level of derivatives or others shall refer to the “Procedures for Engaging in Derivatives Trading” of company.</p> <table border="1"> <thead> <tr> <th rowspan="2">Item</th> <th rowspan="2">Amount</th> <th colspan="3">Authority</th> </tr> <tr> <th>Board of Directors</th> <th>Chairman</th> <th>General Manager</th> <th>Division Chief</th> </tr> </thead> <tbody> <tr> <td>Long-term securities investment (including long-term equity investment)</td> <td>Below 80 million (excluding)</td> <td></td> <td></td> <td>Approval</td> <td>Review</td> </tr> <tr> <td></td> <td>80 million (including) ~ 300 million (excluding)</td> <td></td> <td>Approval</td> <td>Review</td> <td>Review</td> </tr> <tr> <td></td> <td>Over 300 million (including)</td> <td>Approval</td> <td>Review</td> <td>Review</td> <td>Review</td> </tr> <tr> <td>Short-term securities investment</td> <td>Total amount per level below 100 million (including)</td> <td></td> <td></td> <td>Approval</td> <td>Review</td> </tr> </tbody> </table>	Item	Amount	Authority			Board of Directors	Chairman	General Manager	Division Chief	Long-term securities investment (including long-term equity investment)	Below 80 million (excluding)			Approval	Review		80 million (including) ~ 300 million (excluding)		Approval	Review	Review		Over 300 million (including)	Approval	Review	Review	Review	Short-term securities investment	Total amount per level below 100 million (including)			Approval	Review		<p>The amendments are made according to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, as well as the Company's operational needs.</p>
Item	Amount			Authority																																																																			
		Board of Directors	Chairman	General Manager	Division Chief																																																																		
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Current Articles				Amended Articles				Amendment Explanation
Article	Content			Article	Content			
	Total amount per level 100 million (excluding) ~ 300 million (including)	Approval	Review		Total amount per level 100 million (excluding) ~ 300 million (including)	Approval	Review	Review
	Total amount per level over 300 million (excluding)	Approval	Review		Total amount per level over 300 million (excluding)	Approval	Review	Review
	Below 400,000 (excluding)		Approval		Below 300,000 (excluding)		Approval	Approval
	Real property (or right-of-use assets thereof)	Approval	Review		Real property (or right-of-use assets thereof)	Approval	Review	Review
	Over 450 million (excluding)	Approval	Review		Over 300 million (including)	Approval	Review	Review
	(Continue on the table below)				Below 300,000 (excluding)		Approval	Approval
	(Continue on the table above)				300,000 (including) ~ 30 million (excluding)		Approval	Review
					Equipment (or right-of-use assets thereof)		Approval	Review
					30 million (including) ~ 300 million (excluding)		Approval	Review
					Over 300 million (including)		Approval	Review

Item	Amount	Authority		
		Board of Directors	Chairman / General Manager	Division Chief
Equipment (or right-of-use assets thereof)	Below 400,000 (excluding) ~ 30 million (including)			Approval
	30 million (including) ~ 450 million (excluding)		Approval	Review
		Approval	Review	Review

(Continue on the table below)
(Continue from the table above)

Current Articles		Amended Articles				Amendment Explanation
Article	Content	Content				Amendment Explanation
		Article	Content			
	Over ₹50 million (excluding)	Approval	Review	Review		
	Below 20 million (including)		Review	Review		
Memberships	Over 20 million (excluding)	Approval	Review	Review	Amount	Division Chief
	Below 30 million (including)		Approval	Review	Below 20 million (excluding)	General Manager
Intangible assets (or right-of-use assets thereof)	30 million (excluding) ~ ₹50 million (including)		Approval	Review	Over 20 million (including)	Review
	Over ₹50 million (excluding)	Approval	Review	Review	Below 30 million (excluding)	Review
Creditor rights in financial institution	Below 100 million (including)		Approval	Review	30 million (including) ~ 300 million (excluding)	Review
	Over 100 million (excluding)	Approval	Review	Review	Over 300 million (including)	Review
Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law	Shall not be decided by resolution of the Board of Shareholders according to laws	Approval	Review	Review	Below 100 million (excluding)	Review
	Shall be decided by resolution of the Board of Shareholders according to laws	Approval	Review	Review	Over 100 million (including)	Review
Other major assets	Below 150 million (including)	Approval	Review	Review	Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of laws	Review
	Over 150 million (excluding)	Approval	Review	Review		Review

(2) Pursuant to the Procedures or other laws and regulations, the

Current Articles		Amended Articles					Amendment Explanation										
Article	Content	Article	Content														
	<p>acquisition or disposal of assets by the Company shall be submitted to the Board of directors for its approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Supervisors.</p> <p>After the position of independent director has been created, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p> <p>After an Audit Committee has been established, the acquisition or disposal of major assets and derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5, Article 22.</p> <p>The resolutions of Board of Directors specified herein shall be approved by more than half of all directors with more than two-thirds of all directors being present.</p> <p>Contents below are omitted.</p>		<table border="1"> <tr> <td>shares in accordance with acts of law</td> <td>Shall be decided by resolution of the Board of Shareholders according to laws</td> <td>Review</td> <td>Review</td> <td>Review</td> <td>Review</td> </tr> <tr> <td>Other major assets</td> <td>Below 150 million (excluding) Over 150 million (including)</td> <td>Approval</td> <td>Approval</td> <td>Review</td> <td>Review</td> </tr> </table>	shares in accordance with acts of law	Shall be decided by resolution of the Board of Shareholders according to laws	Review	Review	Review	Review	Other major assets	Below 150 million (excluding) Over 150 million (including)	Approval	Approval	Review	Review	<p>(2) Pursuant to the Procedures or other laws and regulations, the acquisition or disposal of assets by the Company shall be submitted to the Board of directors for its approval. When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p> <p>The acquisition or disposal of major assets and derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5, Article 22.</p> <p>The resolutions of Board of Directors specified herein shall be</p>	
shares in accordance with acts of law	Shall be decided by resolution of the Board of Shareholders according to laws	Review	Review	Review	Review												
Other major assets	Below 150 million (excluding) Over 150 million (including)	Approval	Approval	Review	Review												

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 7	<p>Control on procedures for the acquisition or disposal of assets of subsidiaries</p> <p>1. The Company shall urge the Subsidiaries to prepare and execute the Disposal Procedure for the Acquisition or Disposal of the Assets. After this procedure is adopted by the subsidiaries' Board of Directors, it shall be submitted to the Board of Directors of the Company. The same shall apply to the amendment of this procedure.</p> <p>Contents below are omitted.</p>	Article 7	<p>Control on procedures for the acquisition or disposal of assets of subsidiaries</p> <p>1. The Company shall urge the Subsidiaries to prepare and execute the Disposal Procedure for the Acquisition or Disposal of the Assets. After this procedure is adopted by the subsidiaries' Board of Directors, <u>it shall be submitted to the supervisors and the shareholders meeting for approval.</u> The same shall apply to the amendment of this procedure.</p> <p>Contents below are omitted.</p>	The amendments are made according to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, as well as the Company's operational needs.
Article 9	<p>Resolution Procedure</p> <p>When the company intends to acquire or dispose of real property, or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets or right-of-use assets thereof other than real property from a related party and the transaction amount reaches 20% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or domestic bonds under 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</p>	Article 9	<p>Resolution Procedure</p> <p>When the company intends to acquire or dispose of real property, or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets or right-of-use assets thereof other than real property from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or domestic 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</p>	With regard to the establishments of an audit committee to replace the supervisor, texts related to the supervisor are removed

Article	Current Articles	Article	Amended Articles	Amendment Explanation
	<p>Content</p> <p>matters have been approved by the board of directors and reeognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal. 2. The reason for choosing the Related Party as a trading counterparty. 3. With respect to the acquisition of real property from a Related Party, or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 10 and 11. 4. The date and price at which the Related Party originally acquired the real property, the original counterparty and the trading counterparty's relationship with the Company and the Related Party. 5. Monthly cash flow forecasts for the year commencing from the month of anticipated signing of the contract and evaluation of the necessity of the transaction and reasonableness of the use of proceeds. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. 7. Restrictive and other important stipulations associated with the transaction. <p>The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, "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 and reeognized by the Supervisors need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may first authorize the Chairman to execute within a certain</p>	<p>Article</p>	<p>Content</p> <p>contract or make a payment until the following matters have been approved by the Audit Committee and the board of directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal. 2. The reason for choosing the Related Party as a trading counterparty. 3. With respect to the acquisition of real property from a Related Party, or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 10 and 11. 4. The date and price at which the Related Party originally acquired the real property, the original counterparty and the trading counterparty's relationship with the Company and the Related Party. 5. Monthly cash flow forecasts for the year commencing from the month of anticipated signing of the contract and evaluation of the necessity of the transaction and reasonableness of the use of proceeds. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. 7. Restrictive and other important stipulations associated with the transaction. <p>The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, "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 Audit Committee and the Board need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may first authorize the Chairman to execute within a</p>	<p>accordingly.</p>

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 12	<p>amount in accordance with the provisions of Subparagraph 1, Paragraph 1 of Article 5, and shall report at the most recent meeting of the Board of Directors for ratification:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(2) Acquisition or disposal of real property right-of-use assets held for business use</p> <p>After the position of Independent Director has been established in accordance with the provisions of Securities Exchange Act, when the procedures are submitted for discussion by the Board of Directors according to Paragraph 1, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.</p> <p>After an Audit Committee has been established in accordance with the issues which shall be recognized by Audit Committee. It according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5, Article 22.</p> <p>Procedures 2 in case of the assessment result uniformly lower than the transaction price</p> <p>Where the company acquires real property or obtainment of the right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the provisions of preceding 2 Articles are uniformly lower than the transaction price, the following steps shall be taken.</p> <ol style="list-style-type: none"> Omitted. Supervisors shall comply with the provisions of Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee. 	Article 12	<p>certain amount in accordance with the provisions of Subparagraph 1, Paragraph 1 of Article 5, and shall report at the most recent meeting of the Board of Directors for ratification:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(2) Acquisition or disposal of real property right-of-use assets held for business use</p> <p>When the procedures are submitted for discussion by the Board of Directors according to Paragraph 1, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.</p> <p><u>The issues which shall be recognized by Audit Committee according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5, Article 22.</u></p> <p>Procedures 2 in case of the assessment result uniformly lower than the transaction price</p> <p>Where the company acquires real property or obtainment of the right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the provisions of preceding 2 Articles are uniformly lower than the transaction price, the following steps shall be taken.</p> <ol style="list-style-type: none"> Omitted. Independent directors that are members of the Audit Committee shall comply with the provisions of Article 218 of the Company Act. 	
Article 12		Article 12		With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 21	<p>Contents below are omitted.</p> <p>Penalties Any director, supervisor and manager of the Company who violates the Regulations promulgated by the FSC or the provisions of this procedure and causes the Company to be subject to significant damage, shall be dismissed. Where an audit committee has been established in accordance with SEA, relating to supervisors shall apply mutatis-mutandis to the audit committee.</p> <p>The company's persons-in-charge breach of the Regulations or these operating procedures, shall be handled in accordance with Procedures for management on employee of the Company.</p>	Article 21	<p>Contents below are omitted.</p> <p>Penalties Any director and manager of the Company who violates the Regulations promulgated by the FSC or the provisions of this procedure and causes the Company to be subject to significant damage, shall be dismissed.</p> <p>The company's persons-in-charge breach of the Regulations or these operating procedures, shall be handled in accordance with Procedures for management on employee of the Company.</p>	With regard to the establishments committee to replace the supervisor, texts related to the supervisor are removed accordingly.
Article 22	<p>Revision procedure The Company shall establish the Procedures according to the Regulations and submit to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors, and the same to amendment. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the Supervisors.</p> <p>After the position of Independent Director has been established in accordance with the provisions of SEA, when the Procedures are submitted for discussion by the Board of Directors according to the preceding paragraphs, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board Meeting.</p> <p>After an Audit Committee has been established in accordance with the provisions of SEA, establishment or amendment of the procedure for acquisition and disposal of assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.</p>	Article 22	<p>Revision procedure The Company shall establish the Procedures according to the Regulations, which shall be implemented after it is resolved by the Audit Committee and the Board of Directors, and approved at the shareholders meeting, and the same to amendment.</p> <p>When the Procedures are submitted for discussion by the Board of Directors according to the preceding paragraphs, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board Meeting.</p> <p>Establishment or amendment of the procedure for acquisition and disposal of assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.</p>	With regard to the establishments committee to replace the supervisor, texts related to the supervisor are removed accordingly.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the Procedures may implemented if approved by more than two-thirds of all directors, provided that the resolution of the Audit Committee is recorded in the minutes of the Board of Directors meeting.</p> <p>The terms "all audit committee members" in Paragraph 3 and "all directors" in the previous Paragraph shall be calculated as the actual number of persons currently holding those positions.</p> <p>The public announcement and declaration shall be made according to relevant regulations when the Procedures are amended.</p>		<p>If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the Procedures may implemented if approved by more than two-thirds of all directors, provided that the resolution of the Audit Committee is recorded in the minutes of the Board of Directors meeting.</p> <p>The terms "all audit committee members" in Paragraph 3 and "all directors" in the previous Paragraph shall be calculated as the actual number of persons currently holding those positions.</p> <p>The public announcement and declaration shall be made according to relevant regulations when the Procedures are amended.</p>	

Comparison Table for Amendments to Procedures for Engaging in Derivatives Trading

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 3	<p>Operating Procedure</p> <p>1. Authorization Amount: When engaging in derivative commodity transactions by the Company, the authorized amounts shall be set as follows:</p> <p>(1) Omitted. (2) Omitted. (3) Other related derivative products: they shall be subject to the resolution of the board of directors before transaction.</p> <p>(4) For the procedures are adopted by the resolutions at the meetings of directors, the meeting shall be presented with two-thirds of all directors, and be approved by more than half of the presented directors.</p>	Article 3	<p>Operating Procedure</p> <p>1. Authorization Amount: When engaging in derivative commodity transactions by the Company, the authorized amounts shall be set as follows:</p> <p>(1) Omitted. (2) Omitted. (3) Exceed the above amount authorized to the Chairman and other related derivative products <u>transaction</u>: they shall be subject to the resolution of the Audit Committee and the Board of directors, as well as comply with Paragraph 4 and 5, Article 10 of these Procedures before transaction.</p> <p>(4) For the procedures are adopted by the resolutions at the meetings of directors, the meeting shall be presented with two-thirds of all directors, and be approved by more than half of the presented directors.</p>	The amendments are made according to the Company's operational needs.
Article 5	<p>Contents below are omitted.</p> <p>Internal Audit</p> <p>Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the Procedures, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the Supervisor.</p> <p>Where independent directors have been appointed in accordance with the provisions of</p>	Article 5	<p>Contents below are omitted.</p> <p>Internal Audit</p> <p>Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the Procedures, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the <u>Audit Committee</u>, as well as the independent directors in writing.</p>	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Content	Content		Content	Content	
Article 6	<p>the Securities and Exchange Act (hereafter SEA), for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors.</p> <p>Where an audit committee has been established in accordance with the provisions of the SEA, the provisions of paragraph 1 relating to supervisors shall apply mutatis mutandis to the audit committee.</p>	<p>Regular Evaluation Methods and Correction of Abnormal Situation</p> <p>When engaging in derivative product transactions by the Company, and the board of directors shall implement the supervision and control in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. The designated Chairman shall always pay attention to the supervision and control of risk of derivative product transaction. 2. The Board of Directors is itself responsible for evaluating the performance of derivative product transaction on a regular basis to oversee how well it fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk to tolerance. <p>The Chairman authorized by the Board of Directors shall manage the transactions of derivative products in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. The Chairman should also be responsible for regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the regulations and procedures set forth herein. 	Article 6	<p>Regular Evaluation Methods and Correction of Abnormal Situation</p> <p>When engaging in derivative product transactions by the Company, and the board of directors shall implement the supervision and control in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. The designated Chairman shall always pay attention to the supervision and control of risk of derivative product transaction. 2. The Board of Directors is itself responsible for evaluating the performance of derivative product transaction on a regular basis to oversee how well it fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk to tolerance. <p>The Chairman authorized by the Board of Directors shall manage the transactions of derivative products in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. The Chairman should also be responsible for regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the regulations and procedures set forth herein. 	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>2. The Chairman should also be in the course of supervising trading and profit-loss circumstances. Once having identified unusual performances and results, the Chairman needs to report to the Board of Directors immediately and undertakes any actions deemed necessary to correct the situation. After the company has independent directors, an independent director shall be present at the meeting and express an opinion. When engaging in derivative product transactions by authorized person by the Company according to the provisions of the Procedures, shall report at the most recent meeting of the Board of Directors for ratification.</p>		<p>2. The Chairman should also be in the course of supervising trading and profit-loss circumstances. Once having identified unusual performances and results, the Chairman needs to report to the Board of Directors immediately and undertakes any actions deemed necessary to correct the situation. An independent director shall be present during the discussion and resolution at the board meeting and express an opinion. When engaging in derivative product transactions by authorized person by the Company according to the provisions of the Procedures, shall report at the most recent meeting of the Board of Directors for ratification.</p>	
Article 9	<p>Penalties Any director, supervisor and manager of the Company who violates the regulations promulgated by the FSC or the provisions of the Procedures and causes the Company to be subject to significant damage, shall be dismissed. The company's persons-in-charge breach of the Regulations or these operating procedures, shall be handled in accordance with Procedures for management on employee of the Company.</p>	Article 9	<p>Penalties Any director and manager of the Company who violates the regulations promulgated by the FSC or the provisions of the Procedures and causes the Company to be subject to significant damage, shall be dismissed. The company's persons-in-charge breach of the Regulations or these operating procedures, shall be handled in accordance with Procedures for management on employee of the Company.</p>	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.
Article 10	<p>Assessment Procedures The Company shall establish the Procedures according to the Regulations and submit to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors, and the same to amendment. Where any director expresses dissent and it is contained in the minutes of a written statement, the company shall submit the dissenting opinion to the Supervisors. After the position of Independent Director has</p>	Article 10	<p>Assessment Procedures The Company shall establish the Procedures according to the Regulations, which shall be implemented after it is resolved by the Audit Committee and the Board of Directors, and approved at the shareholders meeting, and the same to amendment.</p>	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.

Article	Current Articles		Amended Articles		Amendment Explanation
	Article	Content	Article	Content	
	<p>been established, when the Procedures are submitted for discussion by the Board of Directors according to the preceding paragraphs, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board Meeting. After Audit Committee has been established in accordance with SEA, when the procedures are adopted or amended they shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>When the Procedures are submitted for discussion by the Board of Directors according to the preceding paragraphs, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board Meeting.</p> <p>When the procedures are adopted or amended, they shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>			

Comparison Table for Amendments to Procedures for Lending Funds to Other Parties

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 5	<p>Duration of loans and calculation of interest</p> <p>1. The term of each loan extended by the Company and its Subsidiaries shall not exceed one year.</p> <p>2. The interest rate shall be not less than the Company's highest funding costs. The Company's interest shall be payable monthly; under special circumstances, the Company may adjust the interest rate with the approval of the Board of Directors.</p>	Article 5	<p>Duration of loans and calculation of interest</p> <p>1. The term of each loan extended by the Company and its Subsidiaries shall not exceed one year.</p> <p>2. The interest rate shall be not less than the Company's highest funding costs. The interest shall be settled monthly or <u>settled in a lump sum upon the due date.</u></p>	The amendments are made according to the Company's operational needs.
Article 6	<p>Procedures for handling loans of funds</p> <p>1. Application and review procedures When the borrower applies for borrowing funds from the Company, Financial Department as a contact person; shall conduct an investigation and evaluation on borrower's recent business operating and financial status; shall be evaluated with and subject to the Regulations announced by FSC and the Procedures, and then submitted, together with the result of the evaluation made as described in the Article 7, as well as the credit <u>and</u> review report prepared, shall be review by general manager and chairman and submitted it to the Board of Directors for its approval and no delegation shall be made to any person in this regard.</p>	Article 6	<p>Procedures for handling loans of funds</p> <p>1. Application procedures <u>(1) Before the borrower applies for borrowing funds from the Company, it shall submit an application form specifying the amount, period, purpose of the borrowing, and the assurance provided, and attach necessary documents of the company information and financial information.</u> The Financial Department shall be evaluated with and subject to the Regulations announced by FSC and the Procedures, and then submitted, together with the result of the evaluation made as described in the Article 7, as well as the review report prepared, shall be review by general manager and chairman and submitted it to the Audit Committee and the Board of Directors for approval and no</p>	The amendments are made according to the Company's operational needs.

Article	Current Articles		Amended Articles		Amendment Explanation
	Article	Content	Article	Content	
		<p>When fund lending to Subsidiaries is contemplated by the Company or its Subsidiary, an approval from the Board shall be obtained according to the preceding paragraph, and the Chairman shall be authorized to handle the matter within the Board's approved amount of fund lending to the same party and the lending is authorized in installment or revolver within one year.</p> <p>For the amount as mentioned in the preceding paragraph, in addition to the provisions of Paragraph 4 of Article 2, the amount of the credit granted by the Company to a single enterprise shall not exceed 10% of the net value of the Company's most recent financial statements.</p> <p>When fund-lending to other parties, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>		<p>delegation shall be made to any person in this regard. The procedures shall comply with <u>Paragraph 4 and 5, Article 14.</u></p> <p><u>(2)</u> When fund lending to Subsidiaries is contemplated by the Company or its Subsidiary, <u>an approval from the Audit Committee and the Board shall be obtained</u> according to the preceding <u>subparagraph</u>, and the Chairman shall be authorized to handle the matter within the Board's approved amount of fund lending to the same party and the lending is authorized in installment or revolver within one year.</p> <p><u>(3)</u> For the amount as mentioned in the preceding <u>subparagraph</u>, in addition to the provisions of Paragraph 4 of Article 2, the amount of the credit granted by the Company to a single enterprise shall not exceed 10% of the net value of the Company's most recent financial statements.</p> <p><u>(4)</u> When fund-lending to other parties, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
2.	<p>Lending Notice</p> <p>After the approval of the loan case, the financial department shall promptly inform the borrower by letter or by telephone, to describe the loan conditions of the Company in detail, including the amount, term, interest rate, collateral and guarantor, etc., to let the borrower sign a confirmation of the time limit, and to carry out the guarantee (pledge) mortgage and the cross collateral procedures of the guarantor, according to which the funds will then be released.</p>		<p>Lending Notice</p> <p>After the approval of the loan case, the financial department shall promptly inform the borrower by letter or by telephone of the loan conditions of the Company, including the amount, term, interest rate, collateral and guarantor, etc.</p>	
3.	<p>Sign Confirmation</p> <p>For loan release cases, the financial department shall draw up the contract terms, which shall then be audited by the competent department, and sent to the legal staff or legal counsel for review after approval, and then apply for the signing process. The contents of the contract should be consistent with the approved terms of the loan. After the borrower and the joint guarantor sign on the contract, the financial department shall complete the cross collateral procedures.</p>		<p>Sign Confirmation</p> <p>For <u>fund loan</u> cases, the financial and <u>legal</u> department shall draw up the contract terms <u>according to approved</u> terms, which shall then be audited by the competent department, and then apply for <u>necessary processes</u> such as the signing and <u>cross collateral</u>.</p>	
4.	<p>Acquisition of collateral and security</p> <p>(1) Where any collateral is needed in the loan release conditions, the borrower shall provide the collateral and the legal</p>		<p>Acquisition of collateral and security</p> <p>(1) Where any collateral is needed in the <u>fund loan</u> conditions, the borrower shall provide the collateral and the legal</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.</p> <p>(2) All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The insurance policy shall be filled with the original loan approval conditions of the Company. If the insured building has not been set with the number, the address should be with the lot by location number.</p> <p>(3) The financial department shall inform the borrower to continue to buy the insurance before the expiry of the insured period.</p> <p>5. Grant After the loan release case is approved and the contract is signed by the borrower and the promissory note is sent for deposit (or installment repayment), and after the collateral (pledge) charge set registration is completed, and all the procedures are checked without errors, the funds can be released.</p> <p>6. Documentation and custody The Company shall set up a memorandum book for reviewing for the loan</p>		<p>procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.</p> <p>(2) All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. <u>The borrower shall provide and maintain an updated and valid insurance.</u></p> <p>5. Grant After the <u>fund loan</u> case is approved and the contract is signed by the borrower and the promissory note is sent for deposit (or installment repayment), and after the collateral (pledge) charge set registration is completed, and all the procedures are checked without errors, the funds can be released.</p> <p>6. Documentation and custody The Company shall set up a memorandum book for reviewing for the loan</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>procedures. The object and amount concerned with the funds lending, the approval date by the board of directors, the release date of funds, as well as the matters that should be carefully evaluated according to the provisions of the paragraph 1 of Article 1 shall be recorded in detail for review.</p>		<p>procedures. The object and amount concerned with the funds lending, the approval date by the board of directors, the release date of funds, as well as the matters that should be carefully evaluated according to the provisions of the paragraph 1 of Article 1 shall be recorded in detail for review.</p>	
Article 7	<p>Detailed review procedures When the Company lends the funds, the following review procedures shall be carried out:</p> <ol style="list-style-type: none"> 1. Evaluation of the necessity and rationality of funds lending to other parties When the borrower applies to the Company for a loan, the Finance Department shall investigate in advance the purpose of the fund and evaluate the necessity and reasonableness of the lending funds. 2. Credit and risk assessment of the lending parties (1) For first-time lending, the borrower shall submit the company's data such as the approval letter of the change registration and the change registration form, the profit business registration certificate and the copy of the ID card of the person in charge, as well as the necessary financial data to the Company to apply for the financing amount in writing. 	Article 7	<p>Detailed review procedures When the Company lends the funds, the following review procedures shall be carried out:</p> <ol style="list-style-type: none"> 1. Evaluation of the necessity and rationality of funds lending to other parties After accepting the application, the Company shall assess the necessity and rationality of conducting funds lending to other parties. 2. Credit and risk assessment of the lending parties After accepting the application, the Company shall investigate and evaluate the business, financial status, solvency and credit, profitability and borrowing purposes of the loan. 	The amendments are made according to the Company's operational needs.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>After accepting of the application by the Company, the financial department shall investigate and evaluate the business, financial status, solvency and credit, profitability and borrowing purposes of the loan, and prepare reports.</p> <p>(2) If it is a continuing borrower, in principle, the credit shall be done once a year. If it is a major case, depending on the actual needs, the investigation of credit shall be done once every six months.</p> <p>(3) If the borrower is in good financial condition and the annual financial statements have been entrusted to the accountant to complete the financing visa, it shall continually use the survey report for more than 1 year and less than 2 years, and shall refer to the visa report loan and lending case audited by the accountant.</p> <p>3. Acquisition of collateral and the appraisal value of collateral</p> <p>When lending the funds to other parties by the Company, in addition to the subsidiaries, the Company shall obtain the guaranteed promissory notes of the same amount and, if necessary, apply for the mortgage of personal property or real estate property and shall, in advance, carry out the assessment of the personal property or real estate property value of</p>			
			<p>3. Acquisition of collateral and the appraisal value of collateral</p> <p>The Company shall require the borrower to provide collateral depending on the actual needs and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p>	

Article	Current Articles		Amended Articles		Amendment Explanation
	Article	Content	Article	Content	
		<p>the proposed mortgage. For the above creditor rights security, if the debtor takes the individual or company with considerable resources and credit in lieu of the provision of collateral as the guarantee, the board of directors shall carry out it by taking into account of the credit report by the financial department, for the debtor takes a company as the guarantee, attention shall be paid to that whether there is any guarantee terms in the Articles of Association of the Company.</p> <p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity</p> <p>(1) After the investigation and evaluation of credit information, if the assessment result for the borrower credit is not good, the funds shouldn't be lent to the borrower, the financial department shall reply the borrower the reason why not grant the funds after approval as soon as possible.</p> <p>(2) For the case with good investigation result of credit and with legitimate purpose, the financial department shall fill in the letter of credit and review the report, assess the reason, the use, the purpose, the amount, the benefit, the value of the collateral, the credit and the operation condition, and assess the impact on the Company's operating risk.</p>		<p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity</p> <p><u>Before lending funds, the Company shall assess the impact on its operating risk, financial position and shareholders' equity. For cases that obtain good results after investigation and assessment, the Company shall formulate <u>loaning conditions</u>, including the interest rate calculation method, interest rate and the deadline, which shall be submitted to the general manager and the chairman for approval, and then submitted to the <u>Audit Committee</u> and the board of directors for handling by resolutions.</u></p> <p><u>In principle, the Company is still required to conduct assessments and prepare review reports for those who continue to borrow funds.</u></p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 8	<p>financial position and shareholders' equity. After the formulation of the interest rate and the deadline, it shall be submitted to the general manager and the chairman for approval, and then submitted to the board of directors for handling by resolutions.</p> <p>Subsequent measures for control and management of loans, Procedures for handling delinquent creditor's rights</p> <p>1. Once drawdown on a loan has been made, the financial, business and relevant credit conditions of the borrower and the guarantor shall be regularly monitored. Where collateral is provided, changes in its values shall be noted, and any material change thereto shall be immediately reported to the general manager and be dealt with according to the relevant instruction. At two months before the expiry of the loan allocated, the borrower should be notified to pay off the principal and interest or carry out the extension procedures.</p> <p>2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrow or the cancellation of the mortgage registration.</p> <p>3. The borrower shall pay the principal and</p>	Article 8	<p>Subsequent measures for control and management of loans, Procedures for handling delinquent creditor's rights</p> <p>1. Once drawdown on a loan has been made, the financial and business conditions of the borrower and the guarantor shall be monitored. Where collateral is provided, changes in its values shall be noted, and any material change thereto shall be immediately reported to the general manager and be dealt with according to the relevant instruction. At two months before the expiry of the loan allocated, the borrower should be notified to pay off the principal and interest or carry out the extension procedures.</p> <p>2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrow or the cancellation of the mortgage registration.</p> <p>3. The borrower shall pay the principal and</p>	The amendments are made according to the Company's operational needs.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 10	<p>interest when the loan is due. If the borrower is failure to pay the loan in due and needs to postpone the payment, it is necessary to make a request in advance and report to the board of directors for approval. The extension of each loan shall not be more than three months and shall only be subject to an extension and the period for the total amount of the loan (including the extension period) shall not exceed one year. The Company may make punishment and recourse against the offender as to the collateral or guarantor according to the law.</p>	Article 10	<p>interest when the loan is due. If the borrower is failure to pay the loan in due and needs to postpone the payment, it is necessary to make a request in advance and report to the <u>Audit Committee</u> and the board of directors for approval. The extension of each loan shall not be more than three months and shall only be subject to an extension and the period for the total amount of the loan (including the extension period) shall not exceed one year. The Company shall <u>report</u> the offender <u>to the legal department at once</u>, and make punishment and recourse as to the collateral or guarantor according to the law.</p>	
Article 10	<p>Information Disclosure</p> <ol style="list-style-type: none"> The company shall announce and report the previous month's loan balances of the Company and its subsidiaries by the 10th day of each month. The company whose loans of funds reach one of the following levels shall announce and report such event within two days from its occurrence: <ol style="list-style-type: none"> The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement. The balance of loans by the company and its subsidiaries to a single enterprise 	Article 10	<p>Information Disclosure</p> <ol style="list-style-type: none"> The company shall announce and report the previous month's loan balances of the Company and its subsidiaries by the 10th day of each month. The company whose loans of funds reach one of the following levels shall announce and report such event within two days from its occurrence: <ol style="list-style-type: none"> The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement. The balance of loans by the company and its subsidiaries to a single enterprise 	Amendments to wordings.

Article	Current Articles		Amended Articles		Amendment Explanation
	Article	Content	Article	Content	
		<p>reaches 10 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>(3) The amount of new loans of funds by the company or its subsidiaries reaches 2 NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>If there is any reporting and announcement described in Item 3 of the preceding subparagraph required for the Company's subsidiary, which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.</p> <p>3. The Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.</p>		<p>reaches 10 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>(3) The amount of new loans of funds by the company or its subsidiaries reaches 2 NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>3. If there is any reporting and announcement described in <u>Subparagraph 3</u> of the preceding <u>paragraph</u> required for the Company's subsidiary, which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.</p> <p>4. The Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.</p>	
Article 12		<p>Audit</p> <p>Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify each supervisor.</p>	Article 12	<p>Audit</p> <p>Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify <u>the Audit Committee, as well as each independent director in writing.</u></p>	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.
Article 13		Miscellaneous	Article 13	Miscellaneous	With regard to the

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Article	Content		Article	Content	
	<p>1. The subsidiaries and parent companies referred in the procedures, shall be defined in accordance with the guidelines for the preparation of financial statements by the issuer of securities.</p> <p>2. The net value referred in the procedures, shall refer to the equity in the balance sheet attributable to the owners of the parent company as stipulated in the guidelines for Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. The announcement referred in the procedures, refers to the announcement reported to the website of the information designated by the FSC.</p> <p>4. “Date of occurrence” in these Procedures means the date of signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of making loans and monetary amount, whichever date is earlier.</p> <p>5. Should a borrower no longer satisfy the criteria set forth in the Regulations formulated by FSC or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the supervisors and the proposed correction actions should be implemented within the period specified</p>	<p>1. The subsidiaries and parent companies referred in the procedures, shall be defined in accordance with the guidelines for the preparation of financial statements by the issuer of securities.</p> <p>2. The net value referred in the procedures, shall refer to the equity in the balance sheet attributable to the owners of the parent company as stipulated in the guidelines for Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. The announcement referred in the procedures, refers to the announcement reported to the website of the information designated by the FSC.</p> <p>4. “Date of occurrence” in these Procedures means the date of signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of making loans and monetary amount, whichever date is earlier.</p> <p>5. Should a borrower no longer satisfy the criteria set forth in the Regulations formulated by FSC or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided <u>to the Audit Committee, as well as the independent directors in writing,</u> and the proposed correction actions</p>		<p>1. The subsidiaries and parent companies referred in the procedures, shall be defined in accordance with the guidelines for the preparation of financial statements by the issuer of securities.</p> <p>2. The net value referred in the procedures, shall refer to the equity in the balance sheet attributable to the owners of the parent company as stipulated in the guidelines for Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. The announcement referred in the procedures, refers to the announcement reported to the website of the information designated by the FSC.</p> <p>4. “Date of occurrence” in these Procedures means the date of signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of making loans and monetary amount, whichever date is earlier.</p> <p>5. Should a borrower no longer satisfy the criteria set forth in the Regulations formulated by FSC or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided <u>to the Audit Committee, as well as the independent directors in writing,</u> and the proposed correction actions</p>	<p>Establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	in such plan.		should be implemented within the period specified in such plan.	
Article 14	<p>Implementation and Amendment</p> <p>The Procedures shall be submitted to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Supervisors and report to the shareholders meeting for discussion, and the same to amendment. When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting.</p> <p>After Audit Committee has been established in accordance with SEA, the Procedures made and amend shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. In the preceding paragraph shall not apply.</p> <p>Any matter under the preceding paragraph that has not been approved by one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.</p>	Article 14	<p>Implementation and Amendment</p> <p>The Procedures shall be <u>implemented after it is resolved by the Audit Committee</u> and the Board of Directors, and approved at the shareholders meeting. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall report the dissenting opinion to the shareholders meeting for discussion, and the same to amendment. When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting.</p> <p>When the procedures are adopted or amended, they shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. In the preceding paragraph shall not apply.</p> <p>Any matter under the preceding paragraph that has not been approved by one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.</p>	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>"All audit committee members" as used in Paragraph 3 and "all directors" as used in the preceding paragraph shall mean the actual number of persons currently holding those positions.</p> <p>Where independent directors have been appointed in accordance with the provisions of the SEA, for matters for which notice shall be given to the supervisors under the article 12 paragraph, written notice shall also be given to the independent directors.</p> <p>According to the paragraph 5 of Article 13, for the supervisor's improvement program shall be given to the independent directors.</p> <p>After Audit Committee has been established in accordance with SEA, authorities according to article 12 and article 13 and the provisions regarding supervisors set out shall apply mutatis mutandis to the audit committee.</p>		<p>"All audit committee members" as used in Paragraph 3 and "all directors" as used in the preceding paragraph shall mean the actual number of persons currently holding those positions.</p>	

Comparison Table for Amendments to Procedures for Endorsement and Guarantee

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 6	<p>Procedures for handling endorsement/guarantee</p> <p>1. Application and review procedures (1), if the other companies apply to the Company to provide endorsement and /or guarantee, the financial department shall initially contact to and know the purpose and the amount of endorsement and/or guarantee apply for, collect the attached relevant documents; and shall conduct details examination in accordance with Article 7 with a credit review reports submitted to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and /or guarantee shall be reported to the most recent board of directors' meeting for a complement ratification.</p> <p>(2). If the Company provide endorsement and for guarantee for business and operation needs, the financial department shall collect the relevant documents and conduct details examination in accordance with Article 7 with a credit review reports submitted to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and for guarantee shall be reported to the most recent board of directors' meeting for a complement ratification.</p> <p>2. Notice of endorsement/guarantee Omitted.</p>	Article 6	<p>Procedures for handling endorsement/guarantee</p> <p>1. Application procedures For <u>handling endorsement/guarantee</u>, the Company shall submit an application form specifying the purpose, the amount of the endorsement/guarantee, and the assurance provided, and attach necessary documents of the company information and financial information. <u>The financial department shall review whether the assessment is in compliance with handling standards prescribed by FSC and these Procedures; and shall conduct details examination in accordance with Article 7 with a review report submitted to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and /or guarantee shall be reported to the most recent Audit Committee and board of directors' meeting for a complement ratification.</u></p> <p>2. Notice of endorsement/guarantee Omitted.</p>	<p>The amendments are made according to the Company's operational needs.</p>

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
3.	<p>Acquisition of collateral and security</p> <p>(1). Where any collateral is needed in handling endorsement/guarantee, the Company shall handle the pledge or mortgage to protect the rights of the Company.</p> <p>(2). All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The insurance policy shall be filled with the original endorsement and guarantee conditions of the Company. If the insured building has not been set with the number, the address should be with the lot by location number.</p> <p>(3). The financial department shall inform the endorsement guarantor to continue to buy the insurance before the expiry of the insured period.</p>	3.	<p>Acquisition of collateral and security</p> <p>(1). Where any collateral is needed in handling endorsement/guarantee, the Company shall handle the pledge or mortgage to protect the rights of the Company.</p> <p>(2). All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The <u>endorsed and guaranteed company shall provide and maintain an updated and valid insurance.</u></p>	
Article 7	<p>Contents below are omitted.</p> <p>Detailed review procedures</p> <p>When the Company deals with endorsement/guarantee, the following review procedures shall be followed:</p> <p>1. The necessity and rationality of endorsement and guarantee</p> <p>When the third company applies for endorsement and guarantee from the Company or the Company needs for endorsement and guarantee due to its own business or operating requirements, the financial department shall first get know of its purpose and assess the</p>	Article 7	<p>Contents below are omitted.</p> <p>Detailed review procedures</p> <p>When the Company deals with endorsement/guarantee, the following review procedures shall be followed:</p> <p>1. The necessity and rationality of endorsement and guarantee</p> <p><u>After accepting the application by endorsed and guaranteed company, the Company shall assess the necessity and rationality of conducting the endorsement and guarantee.</u></p>	The amendments are made according to the Company's operational needs.

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Content	Content		Content	Content	
	<p>necessity and rationality of the endorsement and guarantee.</p> <p>2. Credit and risk assessment on endorsement/guarantee</p> <p>(1) For first time endorsement/guarantee, the endorsement company shall submit the company's data such as the approval letter of the change registration and the change registration form, the profit business registration certificate and the copy of the ID card of the person in charge as well as the necessary financial data to the Company to apply for the endorsement/guarantee in writing.</p> <p>After accepting the application by the Company, the financial department shall investigate, evaluate and issue reports as to the purpose of the business, financial status and endorsement/guarantee purpose of the guaranteed object by.</p> <p>(2) If it is a continuing endorsement/guarantee, in principle, the credit shall be done once a year. If it is a major case, depending on the actual needs, the investigation of credit shall be done once every six months.</p> <p>3. Acquisition of collateral and the appraisal value of collateral</p> <p>The Company shall request the guaranteed entity to provide the promissory notes and the mortgage of personal property or real estate property as guarantee and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p> <p>For the above creditor rights security, if the</p>			<p>2. Credit and risk assessment on endorsement/guarantee</p> <p>After accepting the application by endorsed and guaranteed company, the Company shall investigate and evaluate as to the purpose of the business, financial status and endorsement/guarantee purpose of the guaranteed object by.</p> <p>3. Acquisition of collateral and the appraisal value of collateral</p> <p>The Company shall request the guaranteed company to provide collaterals and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p>		

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Content	Content		Content	Content	
	<p>debtor takes the individual or company with considerable resources and credit in lieu of the provision of collateral as the guarantee, the board of directors shall carry out it by taking into account of the credit report by the financial department.</p> <p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity</p> <p>(1) After the investigation and evaluation of credit information, if the assessment result of credit for the guaranteed entity is not good for whom the Company do not intend to make endorsement/guarantee, the financial department shall reply the guaranteed entity the refuse reason after approval as soon as possible.</p> <p>(2) For the case with good investigation result of credit and with legitimate purpose, the financial department shall fill in the letter of credit and review the report, assess the reason, the use, the purpose, the amount, the benefit, the value of the collateral, the credit and the operation condition, and assess the impact on the Company's operating risk, financial position and shareholders' equity, and deal with the case after submitting these reports to the chairman for approval according to Article 9, and then to the board of directors for confirmation.</p> <p>(3) If the Company provide endorsement and for guarantee for business and operation needs, the financial department shall submit a review report to assess the impact on the Company's operating risk, financial position</p>			<p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity</p> <p><u>Before providing endorsement/guarantee, the Company shall assess the impact on the Company's operating risk, financial position and shareholders' equity. For cases that obtain good results after investigation and assessment, the Company shall submit them to the chairman for approval according to Article 9, and then to the Audit Committee and board of directors for confirmation.</u></p> <p><u>If it is a continuing endorsement/guarantee, in principle, the review shall be done and a review report shall be prepared once a year.</u></p>		

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Content	Content		Content	Content	
Article 9	<p>and shareholders' equity to the Chairman of the board of directors for approval and preceding in accordance with Article 9. The approved endorsement and/or guarantee shall be reported to the most recent board of directors' meeting for a complement ratification.</p> <p>Hierarchy of decision-making authority and delegation thereof</p> <p>1. When the Company makes any endorsement and/or guarantee, the financial department shall carefully assess it whether be consistent with the Regulations formulated by FSC and the provisions of the Procedures. A pre-determined limit together with the assessment result of Article 7 may be delegated to the Chairman by the Board of Directors to facilitate execution according to Article 9 and such endorsement /guarantee shall be reported to the most coming Board of Directors' Meeting for ratification. The limit shall not exceed the amount that set forth in Article 5 of endorsement/ guarantee provided by the Company.</p> <p>Before making any endorsement/guarantee pursuant to a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution according to paragraph 2 of Article 3; provided that this restriction shall not apply to endorsement/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting</p>	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>1. When the Company makes any endorsement and/or guarantee, the financial department shall carefully assess it whether be consistent with the Regulations formulated by FSC and the provisions of the Procedures. A pre-determined limit together with the assessment result of Article 7 may be delegated to the Chairman by the Board of Directors to facilitate execution according to Article 9 and such endorsement /guarantee shall be reported to the most coming Audit Committee and Board of Directors' Meeting for ratification. The limit shall not exceed the amount that set forth in Article 5 of endorsement/ guarantee provided by the Company.</p> <p>Before making any endorsement/guarantee pursuant to a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution according to paragraph 2 of Article 3; provided that this restriction shall not apply to endorsement/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting</p>	Article 9	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>1. When the Company makes any endorsement and/or guarantee, the financial department shall carefully assess it whether be consistent with the Regulations formulated by FSC and the provisions of the Procedures. A pre-determined limit together with the assessment result of Article 7 may be delegated to the Chairman by the Board of Directors to facilitate execution according to Article 9 and such endorsement /guarantee shall be reported to the most coming Audit Committee and Board of Directors' Meeting for ratification. The limit shall not exceed the amount that set forth in Article 5 of endorsement/ guarantee provided by the Company.</p> <p>Before making any endorsement/guarantee pursuant to a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution according to paragraph 2 of Article 3; provided that this restriction shall not apply to endorsement/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting</p>	To cope with the establishment of the Audit Committee to replace the supervisor.	

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Article	Content		Article	Content	
Article 13	<p>shares. This restriction shall not apply to endorsements/guarantees made between companies where the Company holds, directly or indirectly, 100% of the voting shares. When the Company makes endorsements and/or guarantees for the companies, it shall take into full consideration each Independent Director's opinions; Independent Directors' opinions specifically expressing dissent or dissent and their reasons for dissent shall be included in the minutes of the Board meeting.</p> <p>2. In case the above limits have to be exceeded to accommodate business needs, a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p> <p>After establishing independent directors, the Company It shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing dissent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</p>	<p>shares. This restriction shall not apply to endorsements/guarantees made between companies where the Company holds, directly or indirectly, 100% of the voting shares. When the Company makes endorsements and/or guarantees for the companies, it shall take into full consideration each Independent Director's opinions; Independent Directors' opinions specifically expressing dissent or dissent and their reasons for dissent shall be included in the minutes of the Board meeting.</p> <p>2. In case the above limits have to be exceeded to accommodate business needs, a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p> <p>It shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing dissent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</p>	Article 13	Article 13	<p>Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written</p>	<p>With regard to the establishment of an audit committee to replace the supervisor,</p>

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Article	Content		Article	Content	
Article 14	auditing reports. Should there be any violation found, a written report is needed to notify each supervisor.	Miscellaneous Paragraph 1-4 omitted. 5. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Regulations and the procedures, or the amount of endorsement/guarantee exceeds the limit, the company shall adopt rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan. Paragraph 6 omitted.	Article 14	auditing reports. Should there be any violation found, a written report is needed to notify <u>the Audit Committee, as well as each independent director in writing.</u> Miscellaneous Paragraph 1-4 omitted. 5. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Regulations and the procedures, or the amount of endorsement/guarantee exceeds the limit, the company shall adopt rectification plans <u>to the Audit Committee, as well as each independent director in writing, and shall complete the rectification according to the timeframe set out in the plan.</u> Paragraph 6 omitted.	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.	
Article 15	The Procedures shall be submitted to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Supervisors and report to the shareholders meeting for discussion, and the same to amendment. When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting. After Audit Committee has been established in accordance with SEA, When the Procedures	Miscellaneous Paragraph 1-4 omitted. 5. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Regulations and the procedures, or the amount of endorsement/guarantee exceeds the limit, the company shall adopt rectification plans <u>to the Audit Committee, as well as each independent director in writing, and shall complete the rectification according to the timeframe set out in the plan.</u> Paragraph 6 omitted.	Article 15	The Procedures shall be implemented after it is resolved by the Audit Committee and the Board of Directors, and approved at the shareholders meeting. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall report the dissenting opinion to the shareholders meeting for discussion, and the same to amendment. When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting. When the procedures are adopted or amended, they shall be subject to the consent of one-half or	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.	

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Article	Content		Content	Content	
	made and amend shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. In the preceding paragraph shall not apply. In the preceding paragraph, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting. Paragraph 3 as used in "All audit committee members" and "all directors" as used in the preceding paragraph, shall mean the actual number of persons currently holding those positions. Where independent directors have been appointed in accordance with the provisions of the SEA, for matters for which notice shall be given to the supervisors under the article 13, written notice shall also be given to the independent directors. According to the paragraph 5 of Article 14 for the supervisor's improvement program shall be given to the independent directors. After Audit Committee has been established in accordance with SEA, authorities according to article 13 and the paragraph 5 of article 14 for supervisors of the procedures are applicable to the Audit Committee.	more of all audit committee members and be submitted to the board of directors for a resolution. In the preceding paragraph shall not apply. In the preceding paragraph, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting. Paragraph 3 as used in "All audit committee members" and "all directors" as used in the preceding paragraph, shall mean the actual number of persons currently holding those positions.				

VIII. Appendices

Appendix 1

Phison Electronics Corporation Rules of Procedure for Shareholders' Meeting

- Article 1: The company's shareholder's meeting shall be conducted in accordance with the Rules. The items which are not regulated in the Rules shall be processed in accordance with the relevant provisions of the Company Act and the Articles of Association of Company.
- Article 2: Attending shareholders or their agents are required to wear an attendance card and to submit attendance cards in lieu of signing in. The number of shares represented by Shareholders attending the meeting shall be calculated in accordance with the number of attendance cards submitted by Shareholders and the number of shares held by shareholders who are permitted to exercise voting rights in electronic form.
- Article 3: Shareholders' meeting shall convene at the Company's registered office or a place convenient to attend and suitable for meeting, the meeting shall be called no earlier than 9 a.m. and no later than 3 p.m.
- Article 4: The Company may appoint its attorneys, certified public accountants, or related persons to attend the shareholders' Meeting.
Staff handling administrative affairs of the Annual General Shareholders' Meeting shall wear identification cards or arm bands.
- Article 5: Entire proceedings of shareholders' meeting shall be recorded on audio or video tape and preserved for at least 1 year.
- Article 6: When a majority of the shareholders present, who represent more than one-half of the total number of voting shares, the meeting Chairman shall call the meeting. If the number of shares represented by the attending shareholders has not yet constituted the quorum at the time scheduled for the general meeting, the meeting Chairman may postpone the time for the meeting. The postponements shall be limited to two times at most, and the 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 not yet 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 Article of 175 of the Company Act. During the execution of a tentative resolution, 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 meeting Chairman may put the tentative resolutions already passed to the Shareholders' resolution again in accordance with Article 174 of the Company Act.

Article 7: If a shareholder meeting is convened by the board of directors, the board of directors shall decide the proceedings and the meeting shall be conducted accordingly, no changes may be made except with the resolution of the shareholder meeting.

The preceding paragraph applies to circumstances where the shareholder's meeting is convened by any person, who is outside the board of directors but having the convening right.

Prior to conclusion of the preceding two agenda items (including extraordinary motions), the meeting Chairman may not declare the meeting adjourned without a resolution.

After a meeting closed, shareholders may not elect another meeting Chairman to continue the proceeding of the meeting at the same or a new place, provided that, if the meeting Chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of meetings, a new meeting Chairman may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceeding of the meeting.

Article 7-1: Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a written proposal to the Company for discussion at a general shareholders' meeting.

Prior to the book closure date before a general shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

If the proposal of a shareholder is approved by the board of directors and that it is not involved in any following circumstances, it shall be listed in the notice of the meeting of the shareholders' general meeting:

1. Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders.
2. Where the number of shares of held by shareholders making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time

when the share transfer registration is suspended in the general shareholder's meeting.

3. Where the said proposal is submitted on the day beyond the deadline fixed and announced by the Company.
4. The proposals submitted by the proposing shareholders exceed one item, or more than 300 words (including punctuation), or were not submitted in a writing format.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform the shareholders who have raised proposals the result of the evaluation. The board of directors shall list the proposals which are not included in the agenda, on the general shareholders' meeting's handbook and explain the reasons for excluding those proposals from the agenda. These reasons are not included in the agenda or in the meeting minutes.

Article 8 When a shareholder meeting is convened by the board of directors, the Chairman shall preside over the meeting. If the Chairman is on leave or unable to attend the meeting, the vice Chairman shall chair the meeting. If there is no vice Chairman or the vice Chairman is also on leave or unable to attend, the Chairman shall designate a managing director to chair the meeting. If there is no managing director, a director shall be designated. If the Chairman fails to designate a director, directors and the managing director shall elect one person from among them to chair the meeting. When shareholders' meeting is convened by other person who is outside the board of directors but having the convening right, such person shall act as the meeting Chairman at that meeting.

Article 9: During the meeting, the meeting Chairman may declare a break according to his or her judgment.

Article 10: No discussion or vote for non-proposals. During the discussion of proposals, the meeting Chairman may announce that the discussion shall be terminated at an appropriate timing and may, if necessary, make an announcement of the suspension of discussion.

Article 11: 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), name of the shareholder and the current shareholding. The sequence of speeches shall be determined by the meeting Chairman.

Article 12: Shareholders' speeches, each person (including natural persons and legal persons)

shall be limited to five minutes. However, with the permission of the meeting Chairman, it may be extended once. In the same proposal, each person (including natural persons and legal persons) shall not speak more than twice. When the legal person is appointed to attend as proxy, it may designate only one person to represent the shareholder in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

Article 13: After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 14: When the speech of any shareholder is too long or outside the scope of the agenda item, the meeting Chairman may stop their speech. The meeting Chairman may command shareholders who disobey the meeting Chairman's correction and impede the process of the meeting to leave the meeting venue.

Article 15: As the meeting Chairman announced that the discussed proposal shall be terminated or suspended, the chairman may submit them for a vote.

Article 16: Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. A proposal is deemed to have passed when no attending shareholders gave the dissents after being inquired by the meeting Chairman and the effect thereof is the same as a vote.

Article 17: Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the meeting Chairman, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting shall be announced on-site at the meeting, and the records shall be made.

Article 18: In the event amendments or substitutions are provided for in the same proposal, the meeting Chairman may decide the order of the vote including the original proposal. When any one among of them is passed, the other proposals are simultaneously rejected and no further voting shall be required.

When the written proposal of a shareholder, pursuant to the Article 172-1 of the Company Act, is included in the agenda of the general shareholders' meeting, and if the type of the proposal is similar to the one already proposed by the board of directors, these proposal submissions shall be combined and processed in accordance with the provisions of the preceding paragraph.

The order of the discussion of each proposal brought up in extraordinary motion

and the order of the vote shall be decided by the meeting Chairman.

Article 19: The meeting Chairman may command inspector (or security personnel) to maintain order of meeting place. The inspector (or security officer) shall wear an arm-band with the word "inspector".

Article 20: During the meeting, in the event of an air alarm, the meeting shall be suspended and the evacuation will be conducted. One hour after the alarm is lifted, the meeting will resume.

Article 21: These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Article 22: This rule is made on March 26, 2003.

The first amendment was made on June 14, 2006.

The second amendment was made on June 13, 2017.

Articles of Association of Phison Electronics Corporation

Chapter I General Provisions

Article 1: The Corporation shall be incorporated, as a company limited by shares, under the Company Act the Republic of China, and its name shall be 「群聯電子股份有限公司」 in the Chinese language, and 「Phison Electronics Corp.」 in the English language.

Article 2: The scope of business of the Corporation shall be as follows:

- (i) CC01080 Electronic Parts and Components Manufacturing
- (ii) I301010 Software Design Services
- (iii) F218010 Retail Sale of Computer Software
- (iv) F119010 Wholesale of Electronic Materials
- (v) F219010 Retail Sale of Electronic Materials
- (vi) CE01030 Photographic and Optical Equipment Manufacturing
- (vii) CC01120 Data Storage Media Manufacturing and Duplicating
- (viii) I501010 Product Designing
- (ix) F401010 International Trade
- (x) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The Company provides external guarantees for its business needs, and its procedures are in accordance with the Company's Procedures for Endorsement and Guarantee.

Article 2-2: The total amount of the Company investment shall not exceed 40 percent of its paid-up capital as provided in Article 13 of the Company Act.

Article 3: The Company set up its headquarters in HsinChu County, and if necessary, it may set up branch offices domestically or abroad with a resolution by the board of directors.

Article 4: (Deleted).

Chapter II Shares

Article 5: The total capital of the company is rated at NT\$3.0 billion, divided into 300 million shares, and the amount per share is NT\$10, of which no shares are issued and the board of directors is authorized to issue shares on a separate basis.

In the first total capital, NT\$290 million was reserved, and the shares were divided into 29 million shares at par value of NT\$10 per share, which is for the issuance of employees'

share subscription warrants in order to exercise the subscription right. It shall be issued separately based on the resolution of the board of directors.

Article 5-1: The company issues employee stock warrants, the exercise price can be lower than the closing price of the company stocks as of the issuing date which is required to obtain the consent of at least two-thirds of the voting rights represented at a shareholders meeting attended by shareholders representing a majority of the total issued shares and allowed to register multiple issues over a period of 1 year from the date of the shareholders resolution.

Article 5-2: If the Company plans to repurchase its own shares and transfer them to employees at less than the average actual share repurchase price, it must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares, and must have listed the following matters in the notice of reasons for that shareholders meeting, it may not raise the matter by means of an extraordinary motion:

1. The exercise price, the valuation percentage, the bases of calculations, and the reasonableness thereof.
2. The number of shares to be transferred, the purpose, and the reasonableness thereof.
3. Qualification requirements for employees subscribing to shares, and the number of shares they are allowed to subscribe for.
4. Factors affecting shareholders' equity:
 - A. The expensable amount, and dilution of the company's earnings per share.
 - B. Explain what financial burden will be imposed on the company by transferring shares to employees at less than the average actual share repurchase price.

Article 6: (Deleted).

Article 7: The Company's stock are all registered share certificates and shall be signed or stamped by the directors who is authorized, recorded, and issued after it is legally registered. For the new shares to be issued by the Company offering its shares to the public. The Corporation may be exempted from printing any stock certificate for the shares issued. However, the Corporation shall appoint a centralized securities custody enterprise/institution to make registration of such shares.

Article 8: The registration of stock transfer shall be halted within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

The period of the preceding paragraph shall be counted from the date of the meeting or the record date.

Article 8-1: The Company's shareholder services are performed according to "Regulations Governing the Administration of Shareholder Services of Public Companies" by competent authority.

Chapter III Shareholders' Meeting

Article 9: Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the board of directors according to the law. Special meetings may be convened according to the law when necessary.

Article 10: If a shareholder cannot attend a Shareholders Meeting for any reason, it may designate another person to represent it by submitting a proxy that is printed by the Company, specifying the scope of authorization. Shareholders' attendance by designated representatives shall be handled in accordance with Article 177 of the Company Act as well as the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the governing authorities.

Article 11: A shareholder of the Company shall be entitled to one vote for each share held, except in the circumstances set forth in paragraph 3, article 157 and article 179 of the Company Act.

Article 11-1: Shareholders' Meeting shall be convened by the board of directors and chaired by the Chairman of the Board. When the Chairman of the Board is on leave, the Chairman shall appoint one of the directors to act as meeting Chairman, or, if there are no appointment, one of the directors shall be selected from among themselves to act as meeting Chairman. If a shareholders' meeting is convened by a rightful person outside the board of directors, the person convening the meeting shall chair the meeting. When there are two or more conveners, a meeting Chairman shall be elected between them.

Article 12: Unless otherwise stated in the Company Act, any resolution made by the Shareholders Meeting shall be made during a Shareholders Meeting attended by more than half of all shares and passed by the majority of voting rights in attendance.

Chapter IV: Directors and Board of directors

Article 13: The Company appoints seven to eleven directors under candidates' nomination system. The term of directors shall be three years. Directors are elected from the list of candidates and may be eligible for re-election.

The total sum of all registered shares certificates held by all directors shall not be less

than that as regulated in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" from the regulatory authority.

Article 13-1: In the aforementioned quota of directors of the Company, the number of independent directors shall be at least two and not less than one-fifth, which are elected from the list of candidates of independent directors in the shareholders' meeting under the candidate nomination system.

In accordance with the relevant regulations of the competent authority, the professional qualifications, shareholding, prohibition on positions held at other companies, nomination and selection process and other matters of the Company's Independent Directors, are processed under relevant legal regulations.

Article 13-2: The Company has established the audit committee. Its composition, scope of duties and power, rules of procedure, and other compliance matters shall be in accordance with the relevant regulations of the competent authority.

Article 14: The board of directors is formed by the directors. The Chairman, who is to represent the Company externally, is elected by a majority voting of the directors present at a meeting of its board of directors attended by two-thirds or more of the directors of the Company.

Article 15: In case the Chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, his representative shall be selected according to Article 208 of the Company Act. The board of directors shall be convened by the Chairman of the board of directors. The conduct of the board of directors shall be conducted in accordance with the "Rules of Procedure for Meetings of Board of Directors" of the company.

Directors should attend the board of directors in person. If the board of directors takes the video conference, the director's participation in the video conference is regarded as personal in person. In case a director cannot attend a Board meeting in person, he/she may appoint another Director to attend on his/her behalf, he/she shall, in each time, issue a written proxy and state the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other Director only.

The Company shall inform each Director seven days prior to a Board meeting, and in case of emergency, the Company may call the board of directors to a meeting at any time. The Company's board of directors was convened in writing, e-mail, or fax method.

Article 16: Compensations for the Chairman and directors of the Company shall be determined by the board of directors according the involvement and contribution of the Chairman and

each director, with reference to the industry standards.

The Company shall purchase liability insurance for its Directors for carrying out the scope of their responsibilities during the terms of office for said Directors.

Chapter V Manager

Article 17 This Company may have managers and their appointment, dismissal and remuneration shall be conducted in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article 18: At the close of each fiscal year of the Company, the board of directors shall prepare, 1) business report, 2) financial statement and 3) the surplus earning distribution or loss off-setting proposal, etc. subsequently submit them to the meeting of shareholders for its ratification.

Article 19: If the company makes profits in the year, it shall appropriate 8% to 19% for employees' compensation and no more than 1.5% for directors' compensations, but the Company shall reserve a portion of profit to make up for accumulated losses, if any.

Employee's remuneration may be distributed in shares or cash, and the compensation of directors shall be paid in cash.

The term "profit" as mentioned in the first paragraph refers to pre-tax profits before deducting the distributed employees and directors' remuneration.

Employee and director remuneration allocation must be approved by the board of directors in a meeting attended by more than two-thirds of all board members, where half of attending directors approve. The remuneration resolution shall be reported in the annual general meeting.

Employee treasury stocks, employee stock options, new shares purchased by employees, employee restricted stock awards, and employee compensation shall be provided by the Company to controlling or subordinate employees who meet certain conditions. The board of directors is authorized to determine its conditions and allocation method.

Article 19-1: If the company's annual final accounts have surplus for this period, the taxes should be paid first to make up accumulated losses, 10% of which is appropriated as legal reserve; however, the occasion when the legal reserve has reached the total paid-in capital of the company is excluded. And according to law or the competent authority to appropriate or reverse special reserves. The remaining surplus, together with unappropriated retained earnings would be reversed appropriately by the board of directors based on actual operating conditions, and then a proposal for undistributed surplus of the initial period will be formulated and subsequently be submitted to the meeting of shareholders for its ratification.

The company's dividend distribution policy shall consider the company's current and future investment environment, capital demands, domestic and foreign competition situations and capital budgets, in order to safeguard the shareholders' interests, balance dividend and cater the long-term financial plan. On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting. The dividend distribution of the shareholders of the Company can be distributed in cash or shares, in which the proportion of shareholders' cash dividend distribution is not less than 10% of the total dividends of the shareholders.

Chapter VII Supplementary Provisions

Article 20: Any matters not prescribed in the Articles, if any, shall be conducted in accordance with the provisions of the Company Act.

Article 21: The Articles were established on October 24, 2000.

The first amendment was made on November 21, 2000.

The second amendment was made on September 5, 2001.

The third amendment was made on February 15, 2002.

The fourth amendment was made on April 9, 2002.

The fifth amendment was made on June 25, 2002.

The sixth amendment was made on March 26, 2003.

The seventh amendment was made on November 12, 2003.

The eighth amendment was made on June 15, 2004.

The ninth amendment was made on March 17, 2005.

The tenth amendment was made on June 16, 2005.

The eleventh amendment was made on June 14, 2006.

The twelfth amendment was made on November 1, 2006.

The thirteenth amendment was made on June 13, 2007.

The fourteenth amendment was made on June 13, 2008.

The fifteenth amendment was made on May 8, 2009.

The sixteenth amendment was made on June 15, 2010.

The seventeenth amendment was made on June 15, 2011.

The eighteenth amendment was made on June 11, 2013.

The nineteenth amendment was made on June 17, 2014.

The twentieth amendment was made on June 2, 2015.

The twenty-first amendment was made on June 15, 2016.

The twenty-second amendment was made on June 13, 2017.

The twenty-thirdly amendment was made on June 12, 2019.

The twenty-fourly amendment was made on June 3, 2020.

Phison Electronics Corporation
Code of Ethical Conduct
(Formerly known as the “Code of Ethical Conduct of Directors, Supervisors,
and Managers”)
(Before Amendment)

Article 1. Objective

In order to lead the Director, Supervisor, and Manager to abide by the code of ethical conduct when engaging in business activities and to guide the Company's stakeholders to understand the Company's ethical standards and code of conduct better, this Code of Ethical Conduct (the Code) is hereby specially stipulated for compliance. The Director who assumes as the President concurrently shall read the applicable code of conduct for employees while reading this Code.

Article 2. Eligible Entities

The Director, Supervisor, and Manager of the Company as well as the President and equivalent, vice president and equivalent, assistant manager and equivalent, Finance Department Manager, Accounting Department Manager, and other personnel who have the right to manage affairs and sign for the Company. (Hereinafter referred to as the Manager)

Article 3. Ethical Corporate Management Best Practice Principles and Relevant Laws and Regulations

The Manager shall adhere to protecting the Company's rights and interests, honesty, integrity, justice, and equity, complying with relevant laws and regulations and ethical principles, shall not breach the conduct including deception, fraud, treason, and deceit.

The Manager shall abide by relevant laws, regulations, and this Code and pursue high standards of ethical conduct.

Article 4. The Rule involves personal responsibility, group responsibility, and responsibility specification to the Company, public, and other stakeholders, which is applicable to the Manager of the Company to urge they behavior to comply with the following:

1. Integrity and Morality

The Manager shall conform to the code of ethical conduct and perform its duties loyally.

The integrity in the preceding paragraph refers to the act without intention of fraud or cheating.

Conforming to the code of ethical conduct refers to the action complies with

special standards, including handling personal and duty interest conflicts in a fair manner.

2. Avoidance of Seeking Personal Interests, Prevention of Interest Conflicts and Interest Avoidance

The interest conflict refers to that the Manager of the Company must make a choice between his/her own interest and the Company's interest.

The interest conflict often makes others question the Company's image. The service to the Company shall not depend on personal interests. The Manager is obligated to act in the best interests of the Company to avoid any interest conflicts.

(1) The Manager of the Company shall deal with official business in an objective, neutral, and efficient manner and shall not gain improper interests for himself/herself, spouses, parents, children, or relatives within two degrees of kinship by taking advantage of their positions. In case that the Company and the affiliated enterprises of the aforesaid personnel have any loan or guarantee, major asset transaction or purchase (sale) transactions, the relevant personnel of this Company shall actively state whether they have potential interest conflicts with the Company. The Manager shall not have direct economic relation with the Company except as authorized by the Board of Directors of the Company (hereinafter referred to as "the Board of Directors").

(2) The Manager shall avoid interest conflicts related to his/her duties and shall not engage in any business, investment or activities that may have an impact on the Company's interest or conflict with the Company's interests, including but not limited to (1) seeking personal interests by taking advantage of the Company's assets, information or their positions (2) transmitting the Company's interests or resources to themselves or relatives or friends (3) risk of harming the Company's interests by negotiating with or conducting transactions with the Company for themselves or relatives or friends (4) investment of other companies, plants that are related to the Company's business for competing with the Company.

3. Confidential Responsibility

The Manager shall prudently manage the matters or confidential information known concerning their duties and shall not disclose to others or use for purposes other than working or providing for the necessity of performing duties; the duty of confidentiality shall continue to apply after resignation.

The confidential information in the proceeding paragraph includes all staff and

customer information, invention, business secrets, technical data, product design, manufacturing profession knowledge, financial and accounting data, intellectual property rights, and other relevant undisclosed information which may be useful to competitors or harmful to the Company or its customers upon the disclosure.

4. Fair Trade

The Manager of the Company shall treat customers, suppliers, competitors, and employees fair impartially as much as possible. Any Director, Supervisor, or Manager shall not gain improper interests from anyone through manipulating, concealing, and abusing information known from their duties, making false statements to major events or other deliberate unfair trade effects. Furthermore, he/she shall not engage in the following illegal acts with the representatives of competitors:

(1) Jointly setting price

(2) Distributing and carving up the market or customers.

(3) Boycotting or refusing other customer, supplier or competitor transaction jointly.

(4) Engaging in other illegal limited competition behavior.

5. Protecting the Company's Assets and the Normal and Effective Use

The Company's assets shall be protected and properly used only for the legal commercial purpose. Except as permitted by the management of the Company, either tangible or intangible assets of the Company shall be used by authorized employees or designated persons only. The Company's assets (including operational secrets) or customer assets shall not be used, stolen, or deliberately seized for personal, others use or other improper purposes. Except as permitted by the management level of the Company, all the valuable items of the Company shall not be transferred, destroyed, or disposed of. The Manager of the Company shall also pay attention to the management of the Company and formulate relevant management methods and regulations to manage the Company's assets and ensure that they can be effectively and legally used in the official business, so as to avoid their embezzlement, theft, negligence or waste which will affect the profitability of the Company.

6. Complying with Laws and Regulations

The Manager of the Company shall comply with all the laws, rules, and orders that regulate the business activities of the Company, including insider trading laws, relevant policies, and procedures established by the Company for the Director's, Supervisor's and Manager's compliance. The trade of marketable securities of the

Company shall be subject to the relevant policies of securities trading established by the Company.

The business activities of the Company are subject to the relevant laws and regulations of Taiwan and accept the market test and other regulatory monitoring.

7. Any Illegal Actions or Actions that Breach the Moral Rule Are Encouraged to Be Reported

The Managers of the Company Shall Promote Ethical Acts and Take the Following Measures to Ensure the Company:

- (1) Encouraging employees to discuss with the Director, Supervisor, Manager or other appropriate personnel when they have doubts about the best behavior for a particular situation.
- (2) Encouraging employees to report any breach of legal, regulatory orders, internal principles, or code of ethical conduct to appropriate personnel.
- (3) Informing employees that the Company prohibits retaliation against those who report in good faith.

8. Procedures for Reporting Any Illegal Act or Breach of the Code of Ethical Conduct

Any suspected violation of the Code shall be reported to a Supervisor, Manager, internal auditor, audit committee or other appropriate personnel immediately. Such suspected affairs shall be investigated by the Board of Directors or one or several persons designated by the Board. The Company also provides a complaint channel for the violator to state the reasons in the Board meeting and the Board will make a resolution accordingly. Those who are involved in violation shall avoid when the Board makes the resolution. The report of such suspected affairs in good faith will not result in retaliation. The reporters shall be anonymous and provided with proper protection by the Company to prevent unfair retaliation or treatment.

9. Punishment

Where the Manager of the Company violates the Rule, the Company will handle according to laws or relevant regulations. When the circumstances are serious, the information including violation date, reasons, violation standards, and handling shall be disclosed on MOPS immediately and transferred to the Board of Directors for resolution.

The person concerned in the proceeding paragraph shall seek remedies by the compliant channel of the Company according to relevant regulations.

10. Complaint System

When the Manager of the Company violates the Rule, if the evidence can be

proved, the complaint will be filed promptly, and relevant proof evidence shall be submitted to appropriate personnel, Board of Directors or Shareholders' Meeting for discussion (the person concerned shall avoid) to make the final resolution.

Violating unit	Complaint accepting unit	Resolution disciplinary unit
Manager (President excluded)	President	President, Board of Directors
President	Board of Directors	Board of Directors
Director	Supervisor	Shareholders' Meeting
Supervisor	Other Supervisors	Shareholders' Meeting

Article 5. Procedures for Exemption

Under exceptional circumstances, the Company may exempt the Manager from the Code with prior approval. The exemption of the Manager shall be made by the Board of Directors. The Manager to be exempted, exemption content and reasons shall be disclosed to the shareholders promptly and shall be stated in the regular public report to be submitted.

Article 6. Disclosure Method

The Company shall disclose the Code on the website, in the annual report, prospectus, and on MOPS, the same applies to the amendments.

Article 7. Implementation

The Code shall be implemented after the Board of Directors approves and submitted to each Supervisor and the shareholders' meeting for reporting, the same applies to the amendments.

Article 8. The Code was stipulated on December 24, 2014

The first amendment was made on March 17, 2015

Phison Electronics Corporation
Procedures of Election of Directors
(Formerly known as the Procedures of Election of Directors and Supervisors)
(Before Amendment)

Article 1: The elections of directors and supervisors shall be conducted in accordance with these Procedures.

Article 2: The board of directors shall prepare separate ballots for directors and supervisors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the general meeting. The shareholder account numbers and the attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 3: The cumulative voting method shall be used for election of the directors and supervisors at this Corporation. Each share will have voting rights in number equal to the directors or supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 3-1: Elections of both directors (including independent directors) and supervisors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 and 216-1 of the Company Act.
If the Company sets up the Audit Committee in accordance with Article 13-2 of the Articles of the Company, then the provisions of the Procedures concerning the supervisors shall cease to apply.

Article 4: The specified number of directors and supervisors, according to the ballot statistics results, with the voting rights separately calculated for independent and non-independent directors or supervisor. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
If a shareholder is elected as a director or a supervisor at the same time, he shall, at his discretion, act as a director or a supervisor, and his / her vacancy shall be filled by the candidate with highest numbers of votes.

Article 5: Before the election begins, the chairman shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. However the vote monitoring personnel shall have the shareholder status.

Article 6: The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 7: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

Article 8: A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by using these procedures.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account (name) or shareholder account number (or identity card number) and the number of voting rights allotted.
6. No candidate's account (name) or shareholder account number (or identity card number) is entered.

Article 9: The directors are elected by independent directors and non-independent directors together, but the votes shall be counted separately for electing them respectively.

Article 10: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors or supervisors and the numbers of votes with which they were elected, shall be announced by the chairman on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one

year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 11: The election of candidate who is disqualified by the Paragraphs 3 and 4 of Article 26-3 of the Taiwan Securities Exchange Act shall be ineffective.

Article 12: The board of directors of the Company shall issue notifications to the persons elected as directors or supervisors.

Article 13: Things that are not stipulated in the Procedures, shall be carried out in accordance with the Company Act, the Articles of the Company and the relevant laws and regulations.

Article 14: These Procedures, and any amendments hereto, shall be implemented after approval by a general meeting.

Phison Electronics Corporation
Procedures for acquisition or disposal of assets
(Before Amendment)

Section I General

Article 1 Purpose and basis

To strengthen the company's assets management and implement the information disclosure, pursuant to the provisions of Article 36 of the Securities Exchange Act (hereinafter referred to as the "SEA") and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter referred to as the "Regulations"), these Procedures are established (hereinafter referred to as the "Procedures").

Article 2 Applicable scope

Matters related to the acquisition or disposal of assets for the Company and its subsidiaries shall be carried out according to Regulations and the provisions of the Procedures, unless otherwise provided by other laws and regulations.

Article 3 Scope of assets and terminology

1. The scope of assets mentioned in the Procedures is as follows:

- (1) long-term and short-term investment: stocks, government bonds, corporate bonds, financial debenture, securities of outstanding fund, depositary receipt, call (put) warrant, beneficiary securities, and asset backed securities.
- (2) Real property (including land, houses and buildings, investment property) and equipment.
- (3) Membership certificate.
- (4) Intangible asset: including patency, copyright, trade mark right, and franchise.
- (5) Right-of-use assets.
- (6) Financial institutes' debentures (including account receivable, foreign exchange buying discount, loan, and non-accrual debt).
- (7) Financial derivatives.
- (8) Asset acquired or disposed due to legal merger, division, acquisition, or receiving shares.
- (9) Other major assets.

2 Definitions:

- (1) Derivatives: 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 variable; 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.

- (2) Asset acquired or disposed due to legal merger, demerger, acquisition, or receiving shares: Assets acquired from or disposed through merger, demerger, or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws and regulations, or receiving IPO shares of other company (herein after referred to as transfer of shares) in accordance with Article 156-3 of the Company Act.
- (3) Stakeholders/subsidiary: As the Regulations the Preparation of Financial Reports by Securities Issuers may define.
- (4) Professional appraiser: Real estate property appraiser or other professionals legally permitted for practicing appraisal on real estate property and equipment.
- (5) Actual occurrence date: a contract execution date, payment date, completion date, ownership transfer date, board of directors' resolution date, or date on which a counterparty and transaction amount become definitely certain, whichever happens earlier. However, for investment that requires approval from the competent authority, an actual occurrence date shall be either the date abovementioned or the date of the said approval, whichever happens earlier.
- (6) Investment in Mainland China area: An investment made in Mainland China in compliance with the Regulations Governing Approval for Investment or Technical Cooperation in Mainland China Area stipulated by the Investment Commission, Ministry of Economic Affairs.
- (7) 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 of the jurisdiction where they are located.
- (8) 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 of the jurisdiction where it is located.
- (9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

3. For the valuation report obtained by the Company or the opinion of the accountants, attorneys or securities underwriters, the professional appraisers and the valuers, the accountants, attorneys or securities underwriters and the dealing party shall meet the following requirements.
 - (1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, 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 provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
 - (2) May not be a related party or de facto related party of any party to the transaction.
 - (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

Section II Acquisition or Disposal of Assets

Article 4 Evaluation Procedure:

The price determination method and reference basis for acquisition and disposal of assets of the Company shall comply with the following regulations:

1. Securities

For acquisition and disposal of securities, the most recent financial statements audited and certified or checked and approved by accountants from the Company before the day of the event shall be taken as the reference for evaluating the transaction price, and the transaction price shall be determined as follows:

- (1) For acquisition and disposal of securities bought or sold at the centralized trading market or at the Over-the-counter venue, determine according to the transaction price at that time.
- (2) For acquisition and disposal of securities not bought or sold at the centralized trading market or at the Over-the-counter venue, decide with consideration of net value per share, profit-making ability, future expanding potential and others and according to the transaction price at that time, or decide by referring to the current market interest rate, coupon rate, debtor's credit and others.

Where the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; If the certified public accountant needs to adopt a professional report, the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (hereafter referred to as 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 (hereafter referred to as the “FSC”).

2. Real Property, Equipment, or right-of-use assets thereof:

Transaction term and price for acquisition or disposal of real property shall be referred to the publicly announced current value, appraisal value, neighboring or closely value of real property and others; the acquisition or disposal of equipment should be conducted after collecting relevant price information and based on inquiry, parity, negotiation or tender.

In acquiring disposing real property, or equipment, or right-of-use assets thereof where the transaction amount reaches 20% 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 business machinery and equipment or right-of-use assets thereof, shall obtain an appraisal report in advance from a professional appraiser before the date of the occurrence and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (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, except in the case when the appraisal results of acquiring an asset are higher than the transaction amount, or when the appraisal results of disposing an asset 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 ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - I. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - II. The discrepancy between the appraisal result and the transaction amount is 10% or more of the transaction amount.
- (4) Where an appraisal from professional appraisers is conducted before a contract execution date, no more than three months may pass between the date of the appraisal report 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 may still be issued by the original professional appraise.

3. Intangible Assets or right-of-use assets thereof or memberships:

Acquisition or disposal of intangible Assets or right-of-use assets thereof or memberships shall be conducted after collecting relevant price information and assess regulations. Shall

be prudently assess regulations and contract content to determine the transaction price. Acquisition or disposal of memberships shall be conducted after collecting relevant price information and based on inquiry or parity.

Where the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

4. The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, 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 certified public accountant opinion has been obtained need not be counted toward the transaction amount.

5. Other Major Assets

Acquisition or disposal of creditor rights in financial institution, derivatives, assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law or other major assets shall be conducted after collecting relevant price information depending on trading assets targets, and the transaction price shall be decided based on laws related to careful evaluation and contract content.

6. 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 certified public accountant opinion.

Article 5 Operating Procedure

1. Authorization Limit and Level

(1) For acquisition or disposal of assets by the Company, the undertaker shall consolidate the information such as reason of acquisition or disposal, target object, counterpart, transfer price, payment conditions and price reference basis and submit to the Authority for approval depending on trading assets items. The regulations related to authorization limit and level of derivatives or others shall refer to the “Procedures for Engaging in Derivatives Trading” of company.

Item	Amount	Authority			
		Board of Directors	Chairman	General Manager	Division Chief
Long-term securities investment (including long-term equity investment)	Below 80 million (including)			Approval	Review
	80 million (excluding) ~ 260 million (including)		Approval	Review	Review
	Over 260 million(excluding)	Approval	Review	Review	Review

Short-term securities investment	Total amount per level below 100 million (including)			Approval	Review
	Total amount per level 100 million (excluding) ~ 300 million (including)		Approval	Review	Review
	Total amount per level over 300 million (excluding)	Approval	Review	Review	Review
Real property (or right-of-use assets thereof)	Below 100000 (excluding)				Approval
	100000 (including) ~ 150 million (including)		Approval	Review	Review
	Over 150 million (excluding)	Approval	Review	Review	Review
Equipment (or right-of-use assets thereof)	Below 100000 (excluding)				Approval
	100000 (including) ~ 30 million (including)			Approval	Review
	30 million (excluding) ~ 150 million (including)		Approval	Review	Review
	Over 150 million (excluding)	Approval	Review	Review	Review
Memberships	Below 20 million (including)		Approval	Review	Review
	Over 20 million (excluding)	Approval	Review	Review	Review
Intangible assets (or right-of-use assets thereof)	Below 30 million (including)			Approval	Review
	30 million (excluding) ~ 150 million (including)		Approval	Review	Review
	Over 150 million (excluding)	Approval	Review	Review	Review
Creditor rights in financial institution	Below 100 million (including)		Approval	Review	Review
	Over 100 million (excluding)	Approval	Review	Review	Review
Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law	Shall not be decided by resolution of the Board of Shareholders according to laws	Approval	Review	Review	Review
	Shall be decided by resolution of the Board of Shareholders according to laws	Review	Review	Review	Review
Other major assets	Below 150 million(including)		Approval	Review	Review
	Over 150 million (excluding)	Approval	Review	Review	Review

(2) Pursuant to the Procedures or other laws and regulations, the acquisition or disposal of assets by the Company shall be submitted to the Board of directors for its approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Supervisors.

After the position of independent director has been created, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.

After an Audit Committee has been established, the acquisition or disposal of major assets and derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5, Article 22.

The resolutions of Board of Directors specified herein shall be approved by more than half of all directors with more than two-thirds of all directors being present.

2. Execution Unit

The acquisition or disposal of assets by the Company shall be executed by the following units:

- (1) Long-term investment in securities, memberships, intangible assets (or right-of-use assets thereof), assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law and other major assets: appraised and executed by the project team through directing of General Manager or Chairman.
- (2) Short-term investment in securities, derivatives and creditor rights in financial institution: appraised and executed by Finance Department.
- (3) Real property (or right-of-use assets thereof): undertaken by General Affair Department.
- (4) Equipment (or right-of-use assets thereof): undertaken by requisition unit with General Admin. Department.
- (5) Public announcement and declaration: the public announcement and declaration personnel engage the undertaker to consolidate relevant information of public announcement and declaration and manage wholly.

3. Transaction Process

The transaction process and operation for acquisition or disposal of assets shall comply with relevant laws and provisions related to internal control system of the Company.

Article 6 Total Assets and Individual Limit

The total amount of non-operating use real property , or right-of-use assets thereof or securities acquired by the Company and each subsidiary and the limit of individual securities are as follows:

1. Total amount of real property, or right-of-use assets thereof acquired by the Company for non-operating use shall not be higher than 20% of shareholders' equity of the Company. Total amount of real property, or right-of-use assets thereof acquired by each subsidiary for non-operating use shall not be higher than 10% of shareholders' equity of the Company.
2. Total amount of long-term and short-term securities investment acquired by the Company shall not be higher than 100% of shareholders' equity of the Company. Total amount of long-term and short-term securities investment acquired by each subsidiary shall not be higher than 60% of shareholders' equity of the Company.
3. The amount of individual security acquired by the Company shall not be higher than 50% of shareholders' equity of the Company.
4. The amount of individual security acquired by acquired by each subsidiary shall not be higher than 40% of shareholders' equity of the Company.

Article 7 Control on procedures for the acquisition or disposal of assets of subsidiaries

1. The Company shall urge the Subsidiaries to prepare and execute the Disposal Procedure for the Acquisition or Disposal of the Assets. After this procedure adopted by the subsidiaries' Board of Directors, it shall be submitted to the Board of Directors of the

Company. The same shall apply to the amendment of this procedure.

2. Control on procedures for the acquisition or disposal of assets of subsidiaries by the Company, shall be handled in accordance with relevant laws and Internal Control System of the Company.
3. The subsidiaries of the Company are not domestic public offering companies, thus the acquisition or disposal of assets shall be reported or announced by the Company in accordance with the provisions of Section 5.

The foresaid subsidiaries reach paid-in capital or total assets and their information required to be reported in accordance with the provisions of paragraph 1 of Article 19, it is determined by the paid-in capital or total assets of the company.

Section III Procedures for Related Party Transactions

Article 8 Scope

In acquiring or disposing of assets with a Related Party not only practice in accordance with the provisions of the previous section and this section, and regulated by below-mentioned resolution procedures, evaluation of the reasonableness of the transaction terms and others, but also in the case when the transaction amount reaches 10% of more of the total assets, the company shall obtain an appraisal report in advance from a professional appraiser or engage a certified public accountant to render an opinion in accordance with the provisions of the previous Section.

The method for calculating the preceding transaction amount shall comply with the Paragraph 4 of Article 4.

Besides, determine the Related Party in accordance with the formal law and consider the substance relationship.

Article 9 Resolution Procedure

When the company intends to acquire or dispose of real property , or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets or right-of-use assets thereof other than real property from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or domestic 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:

1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal.
2. The reason for choosing the Related Party as a trading counterparty.
3. With respect to the acquisition of real property from a Related Party, or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 10 and 11.
4. The date and price at which the Related Party originally acquired the real property, the

original counterparty and the trading counterparty's relationship with the Company and the Related Party.

5. Monthly cash flow forecasts for the year commencing from the month of anticipated signing of the contract and evaluation of the necessity of the transaction and reasonableness of the use of proceeds.
6. Obtain an appraisal report in advance from a professional appraiser or engage a certified public accountant to render an opinion pursuant to the preceding paragraph.
7. Restrictive and other important stipulations associated with the transaction.

The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, "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 and recognized by the Supervisors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may first authorize the Chairman to execute within a certain amount in accordance with the provisions of Subparagraph 1, Paragraph 1 of Article 5, and shall report at the most recent meeting of the Board of Directors for ratification:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of real property right-of-use assets held for business use

After the position of Independent Director has been established in accordance with the provisions of Securities Exchange Act, when the procedures are submitted for discussion by the Board of Directors according to Paragraph 1, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.

After an Audit Committee has been established in accordance with the issues which shall be recognized by Audit Committee according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5, Article 22.

Article 10 Assessment procedures

The company acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer in accordance with the law. "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.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

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.

The company acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding 2 paragraphs of this Article shall also engage a CPA to check the appraisal and render a specific opinion.

Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than five years will have elapsed or right-of-use assets thereof from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or engaging others to build on its own land, engaging the related party to build on rented land.
4. The real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 11 Procedures 1 in case of the assessment result uniformly lower than the transaction price

When the results of the company's appraisal conducted in accordance with the paragraphs 1 and 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with the provisions of Article 12. 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 has been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (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 three 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.

(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 sale or leasing practice.

2. Where the company acquires real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring real property of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring real property in the preceding paragraph in principle refers to real property on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized real property in principle refer to transactions completed by unrelated parties for real property with an area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 12 Procedures 2 in case of the assessment result uniformly lower than the transaction price

Where the company acquires real property or obtainment of the right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the provisions of preceding 2 Articles are uniformly lower than the transaction price, the following steps shall be taken.

1. The difference between the real property or obtainment of the right-of-use assets thereof transaction price and the appraised costs shall be set aside as a special reserve in accordance with the provisions of the paragraph 1, Article 41 of the SEA and may not be distributed or used for capital increase or issuance of bonus shares. If an investor that has investment in the company and adopts the equity method for such investment and is a public company, it shall also set aside a special reserve under paragraph 1, Article 41 of the SEA in relation to its share of the above special reserve set aside by the company in proportion to its shareholding.
2. Supervisors shall comply with the provisions of Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
3. The circumstances of handling under the provisions of preceding 2 paragraphs of this Article shall be reported to General Meeting and the detailed contents of the transaction disclosed in the annual report and prospectus.

If the company set aside a special reserve under the preceding paragraph, the company shall not utilize such special reserve until it has recognized a loss due to price decline for the assets it purchased at a premium or leased, or contract has been terminated, or they have been disposed of, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so, and the FSC has agreed with the utilization.

When the company obtains real property or obtainment of the right-of-use assets thereof from a related party, it shall also comply with the provisions of paragraph 1 and paragraph 2 of this Article if there is other evidence indicating that the acquisition was not an arm length transaction.

Section IV Procedures for Conduct a Merger, Demerger, Acquisition or Transfer of Shares

Article 13 Resolution Procedure

1. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, for the merger of a subsidiary which directly or indirectly holds 100% issued shares or capital sum, or the merger between subsidiaries which directly or indirectly hold 100% issued shares or capital sum, the opinion on the reasonableness issued by experts pursuant to the preceding paragraph shall be avoided.
2. The Company participating in a merger, demerger, acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, this Company participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

3. The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides

otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

- (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall, in two days of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where the Company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of preceding 2 paragraphs of this Article.

Article 14 Non-disclosure commitment

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any share or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 15 Alter principles of the share exchange ratio or acquisition price

The companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Conduct cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants,

stock warrants, or other equity based securities.

2. An action, such as a disposal of major assets that affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury share.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/ conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 16 Contents of a contract

The contract for participation by the company in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury share previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury share participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated General Meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 17 Changes of companies participated in

After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's General Shareholders' Meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another General Shareholders' Meeting to resolve on the matter anew.

Article 18 Disposal of a company that is not a public one

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of paragraphs 3 of Article 13 and Article 14 and preceding Article.

Section V Procedures for the Information Disclosure

Article 19 Public Announcement and Declaration Procedure

In acquiring or disposing of assets, should any of the following conditions occur after the filing and public announcement of transactions, the Company needs to file and make public announcement at the website specified by FSC accordingly in two days from the Date of the Event by using the prescribed format according to the nature:

1. Acquisition or disposal real property or right-of-use assets thereof from a Related Party, or in acquiring or disposing any other asset than the real property or right-of-use assets thereof with a Related Party and also the transaction amount reaches 20% of paid-in capital, 10% of the total assets or NT\$300 million or more; Provided, however, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by securities investment trust enterprise.
2. Merger, demerger, acquisition, or transfer of share.
3. The loss of trading derivatives reaches the limit for all or individual contract set forth by the Procedures for Engaging in Derivatives Trading.
4. Where the type of asset acquired or disposed is equipment for business use or right-of-use assets thereof and the trading counterparty is not a Related Party, the transaction amount shall meet one of the following conditions:
 - (1) For the public companies with paid-in capital less than NT\$10 billion, the transaction amount is NT\$ 500 million or more.
 - (2) For the public companies with paid-in capital more than NT\$10 billion, the transaction amount is NT\$1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, the amount the Company expects to invest in the transaction reaches NT\$500 million.

6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:
 - (1) Trading of domestic government bonds.
 - (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 that are offered and issued in the primary market, (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.
 - (3) Trading of bonds under repurchase/resale agreements and the purchase or redemption of domestic money market funds issued by securities investment trust enterprise.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project or right-of-use assets thereof within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

The Company shall, on a monthly basis, report and make a public announcement of the financial derivative transactions engaged by it and its subsidiary which is not a domestic public company up to the end of the previous month in accordance with relevant regulations by the tenth day of each month, and enter the information at the website for declaration specified by FSC.

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.

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 headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 20 Other important matters

The Company shall, within one of the following circumstances, within two days from the date of the occurrence of the transaction in accordance with the provisions of the preceding Article, declare the relevant information on the designated website of the FSC:

1. The contract signed related to the original transaction has been changed, terminated or rescinded.
2. The merger, demerger, acquisition, or transfer of shares has not been completed according to the contracted schedule.
3. The contents of original public announcement have changed.

For the 10 percent related to the total assets specified in the procedures, it is calculated based on the total amount of the assets in the most recent individual or separate financial statements prepared by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

If the shares with no value or not valued at NT\$10 per share, the amount of the transaction amount of 20% of the paid-in capital under these procedures shall be calculated based on 10% of the equity attributable to the owners of the parent company; for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Section VI Supplementary Provisions

Article 21 Penalties

Any director, supervisor and manager of the Company who violates the Regulations promulgated by the FSC or the provisions of this procedure and causes the Company to be subject to significant damage, shall be dismissed. Where an audit committee has been established in accordance with SEA, relating to supervisors shall apply mutatis mutandis to the audit committee.

The company's persons-in-charge breach of the Regulations or these operating procedures, shall be handled in accordance with Procedures for management on employee of the Company.

Article 22 Revision procedure

The Company shall establish the Procedures according to the Regulations and submit to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors, and the same to amendment. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the Supervisors.

After the position of Independent Director has been established in accordance with the provisions of SEA, when the Procedures are submitted for discussion by the Board of Directors according to the preceding paragraphs, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board Meeting.

After an Audit Committee has been established in accordance with the provisions of SEA, establishment or amendment of the procedure for acquisition and disposal of assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the Procedures may implemented if approved by more than two-thirds of all directors, provided that the resolution of the Audit Committee is recorded in the minutes of the Board of Directors meeting.

The terms "all audit committee members" in Paragraph 3 and "all directors" in the previous Paragraph shall be calculated as the actual number of persons currently holding those positions.

The public announcement and declaration shall be made according to relevant regulations when the Procedures are amended.

Article 23 Other Important Issues

Any other matters not set forth in the Procedures or any doubts in application shall be dealt with in accordance with the applicable laws, rules, and regulations for matters not specified by law, rules, and regulations, they shall be dealt with in accordance with relevant provisions of the Company or decided by discussion of the Board of Directors.

Phison Electronics Corporation
Procedures for Engaging in Derivatives Trading
(Before Amendment)

Article 1 Purpose

To protect the investment, implement the information disclosure, and strengthen the risk management system for derivatives trading established by the Company, the Procedures (hereinafter referred to as the "Procedures") are formulated according to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter referred to as the "Regulations") issued by the Financial Supervisory Commission R.O.C. (Taiwan) (hereinafter referred to as the "FSC").

Article 2 Trading principles and strategies:

1. Transaction Type:

- (1) Derivative products referred in the Procedures refers to 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 variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.
- (2) 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.
- (3) The matters related to the bond margin transaction shall be handled in accordance with the relevant provisions of the Procedures.

2. Operation & Hedging Strategy:

The main strategy of the Company is to select derivatives trading that could avoid operation risk to the maximum as to minimize losses. The Company should only select banks which have business relation to avoid credit risk.

3. Authorization / Delegation:

Financial Department: is responsible for the foreign exchange management system, such as collecting foreign exchange market information, judging trends and risks, be familiar with financial products and operating skills. The financial department shall accept the instructions by the Financial Officer, take the license to manage the foreign exchange parts, and avoid risks according to the company policy.

Accounting Department: is responsible for confirmation of the transaction, settlement and registration details.

4. Performance Evaluation:

When engaging in derivative products trading, the operation details shall be recorded on the transaction schedule per day to grasp the profit and loss situation; the exchange gains and losses shall be settled per month, quarter and year.

5. Transaction Contract Dollar Amount And Loss Control

- (1) The financial department should grasp the overall position of the Company in order to avoid the risk of transactions; the total amount of long-term foreign exchange operation of the contract shall not exceed the actual demand for foreign currency.
- (2) The contractual loss of derivative products shall not exceed the limit of 15% of the amount of the transaction contract, and the total contract loss shall not exceed 10% of the contract value. If there is a significant adverse effect on the exchange rate, the Company should convene relevant personnel at any time to discuss it at the meeting.

Article 3 Operating Procedures

1. Authorization Amount:

When engaging in derivative commodity transactions by the Company, the authorized amounts shall be set as follows:

(1) Forward Foreign-exchange Trading:

Transaction Authorization Amount (Monthly Accumulated Amount)

<u>Contract Amount</u>	<u>Delegation of Authorization</u>
0-30 million (including) dollars	Chairman
Above 30 million (excluding) dollars	Board of Directors

(2) Contract of foreign currency options:

The Chairman of the Board of Directors is solely responsible for the amount of the contract signed by the Company with the Bank, which shall not exceed the estimated net demand of foreign current or net expenses of the Company for the next six months and the accumulated effective contract amount shall not exceed US\$ 20 million limit to avoid exchange rate fluctuations.

(3) Other related derivative products: they shall be subject to the resolution of the board of directors before transaction.

(4) For the procedures are adopted by the resolutions at the meetings of directors, the meeting shall be presented with two-thirds of all directors, and be approved by more than half of the presented directors.

2. Execution unit and transaction process:

- (1) Execution of the transaction: Execution of the transaction: the trader of the financial department shall trade with the financial institutions within the authorized amount. After the completion of each transaction, the trader shall immediately fill the transaction note according to the return of financial institutions, specify the content, and then be submitted to the competent authority for approval, and make statistical and submit the copy of the transaction to the accounting department.
- (2) Transaction confirmation: Transaction confirmation: the accounting department of the settlement and registration should confirm the transaction based on the copy of the transaction produced by the transaction unit, and then shall make settlement and register details according to the transaction confirmed number. The financial department shall prepare the statements monthly, and then collect them and submit them to the accounting department as an accounting evaluation basis.

Article 4 Risk Management

1. Scope of risk management:

- (1) Credit Risk Control: Credit risk is controlled by restricting the counterparties that the Company deals with to those who either have banking relationship with the Company. After the transaction, the person for registering should register the Credit Control Table and check the balance of accounts with the bank on a regular basis.
- (2) Market Price Risk Control: the person for registering shall check whether the total amount of the transaction is in compliance with the prescribed limits. The accounting department should conduct a market price evaluation at any time and pay attention to the possible impact on the profit and loss by the future market price fluctuations on the holdings.
- (3) Liquidity Risk Control: Liquidity risk should be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets

around the world.

- (4) Cash Flow Risk Control: The derivative product transaction is based on physical transactions to ensure settlement obligations. The traders should also pay attention to the company's cash flow at all times to ensure that there is sufficient cash to be paid at the time of settlement.
 - (5) Operating Risk Control: Delegation systems and operating procedures set forth herein are employed to control operating risk.
 - (6) Legal Risk Control: Any legal documents in respect of financial derivative transactions shall be in general contract of the market, and any special contract shall be reviewed by the legal counsel.
2. The respective functions of trading, confirmation and settlement should be performed by different personnel.
 3. Risk measurement, monitoring and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or an executive manager or supervisor who is not responsible for trading or position policy-making.
 4. Derivatives trading positions held shall be evaluated at least once per week. Finance Department should prepare a bi-weekly report in connection with the transactions entered into for hedging purpose for the review of the Board of Directors authorized senior manager.
 5. Other important risk management measures.
The authorized traders shall have relevant expertise and full knowledge of the content goods in connection with the transaction, so as to reduce the risk of engaging in derivative commodity transactions.

Article 5 Internal Audit

Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the Procedures, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the Supervisor.

Where independent directors have been appointed in accordance with the provisions of the Securities and Exchange Act (hereafter SEA), for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors.

Where an audit committee has been established in accordance with the provisions of the SEA, the provisions of paragraph 1 relating to supervisors shall apply mutatis mutandis to the audit committee.

Article 6 Regular Evaluation Methods and Correction of Abnormal Situation

When engaging in derivative product transactions by the Company, and the board of directors shall implement the supervision and control in accordance with the following principles:

1. The designated Chairman shall always pay attention to the supervision and control of risk of derivative product transaction.
2. The Board of Directors is itself responsible for evaluating the performance of derivative product transaction on a regular basis to oversee how well it fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk tolerance.

The Chairman authorized by the Board of Directors shall manage the transactions of derivative products in accordance with the following principles:

1. The Chairman should also be responsible for regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the regulations and procedures set forth herein.
2. The Chairman should also be in the course of supervising trading and profit-loss circumstances. Once having identified unusual performances and results, the Chairman needs to report to the Board of Directors immediately and undertakes any actions deemed necessary to correct the situation. After the company has independent directors, an independent director shall be present at the meeting and express an opinion.

When engaging in derivative product transactions by authorized person by the Company according to the provisions of the Procedures, shall report at the most recent meeting of the Board of Directors for ratification.

article 7 Information Disclosure

1. When losses from derivatives trading reaches the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the company, the Company shall within two days from the date of the occurrence of the transaction, declare the relevant information on the designated website of the FSC.
2. The Company should, on a monthly basis, report and make a public announcement of the financial derivative transactions engaged by it and its subsidiary which is not a Taiwan public company on the designated website of the FSC up to the end of the previous month in accordance with relevant regulations by the tenth day of each month.

Article 8 Establishment of a Reference Book

In accordance with the relevant regulations, a reference book shall be established and maintained to record the financial derivative transactions in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under paragraph 4 of Article 4, subparagraph 2 of paragraph 1 and subparagraph 1 of paragraph 2 of Article 6, shall be recorded in detail in the reference book.

Article 9 Penalties

Any director, supervisor and manager of the Company who violates the regulations promulgated by the FSC or the provisions of the Procedures and causes the Company to be subject to significant damage, shall be dismissed.

The company's persons-in-charge breach of these operating procedures, shall be handled in accordance with Procedures for Management on Employee of the Company.

Article 10 Assessment Procedures

The Company shall establish the Procedures according to the Regulations and submit to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors, and the same to amendment. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the Supervisors.

After the position of Independent Director has been established, when the Procedures are submitted for discussion by the Board of Directors according to the preceding paragraphs, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board Meeting.

After Audit Committee has been established in accordance with SEA, when the procedures are adopted or amended they shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 11 Other Important Matters

In case of matters that are not specified in the procedures or the suitability is in doubt, they shall be handled in accordance with the relevant laws and regulations, for things that are not stipulated in the laws and regulations, they should be carried out according to the relevant provisions of the Company or decided by the board of directors by resolutions.

Phison Electronics Corporation
Procedures for Lending Funds to Other Parties
(Before Amendment)

Article 1 Purpose

To be the basis for procedures for lending funds to other parties of the Company, the Procedures are formulated specially according to Paragraph 1, Article 36 of Securities Exchange Act (hereinafter referred to as "SEA") and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereafter referred to as the "Regulations") of Financial Supervisory Commission (hereafter referred to as the "FSC"), and shall comply with these Procedures.

Article 2 Entities to which the Company may loan funds

According the Article 15 of Company Act, the Company and its Subsidiaries shall not loan funds to any of its shareholders or any other person except under the following circumstances:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 20% of the lender's net worth.

The term "short-term" as used in the preceding paragraph means one year, or where the Company's operating cycle exceeds one year, one operating cycle, which one is longer.

The term "financing amount" as used in Sub-paragraph 2, Paragraph 1 of this Article means the cumulative balance of the Company's short-term financing.

The inter-company funding loans between the foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, for business needs, the accumulated total of loans granted shall not exceed 20% of the lending-company's net worth, between overseas companies in which the company holds, directly or indirectly, 100% of the voting shares. Each individual loan shall not exceed 10% of the lending-company's net worth, and the term of each loan extended shall not exceed one year; for, the needs of short-term financing, the accumulated total of loans granted shall not exceed 20% of the lending-company's net worth, each individual loan shall not exceed 10% of the lending-company's net worth, and the term of each loan extended shall not exceed one year. The interest rate shall not be lower than the maximum interest rate of the lending-company's short-term loan from financial institutions. The interest on loans can due bill once a month or once a settlement at maturity.

The responsible person of the company who has violated the provisions of the preceding 1 Paragraph shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.

Article 3 Evaluation standards for loaning funds to others

Where funds are lent to others, in addition to paragraph 2 of Article 4 that should be followed, it shall be evaluated in accordance with the following standards:

1. Lending funds to a company or business due to its business relationship with the Company, the evaluation is that whether the lending amount is equivalent to the business amount between them.
2. Loan may be granted due to short-term financing shall be only for procurement of materials or turnover of operations.

Article 4 Accumulated total of loans granted and amount of an individual loan granted by the Company

1. The accumulated total of loans granted shall not exceed 40% of the net worth of the Company; provided, however where funds are lent to a company or business with short-term financing need, the accumulated total of such loans shall not exceed 20% of the net worth of the Company. The companies (or sole proprietorship or partnership) that dealing business with the Company be approved borrowing, the accumulated total of the loans granted shall not exceed 20% of the Company's net worth.
2. The amount of an individual loan granted by the Company to a company or business with business relationship with the Company shall not exceed the business transaction amount in past 12 months between the parties. "Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher. Each individual loan shall not exceed 10% of the net worth of the Company.
3. Where funds are lent to a company or business with short-term financial need, each individual loan shall not exceed 10% of the net worth of the Company.

Article 5 Duration of loans and calculation of interest

1. The term of each loan extended by the Company and its Subsidiaries shall not exceed one year.
2. The interest rate shall be not less than the Company's highest funding costs. The interest shall be payable monthly; under special circumstances, the Company may adjust the interest rate with the approval of the Board of Directors.

Article 6 Procedures for handling loans of funds

1. Application and review procedures

When the borrower applies for borrowing funds from the Company, Financial Department as a contact person, shall conduct an investigation and evaluation on the application with respect to the borrower's recent business operating and financial status, shall be evaluated with and subject to the Regulations announced by FSC and the Procedures, and then submitted, together with the result of the evaluation made as described in the Article 7, shall be review by general manager and chairman and submitted it to the Board of Directors for its approval and no delegation shall be made to any person in this regard.

When fund lending to Subsidiaries is contemplated by the Company or its Subsidiary, an approval from the Board shall be obtained, and the Chairman shall be authorized to handle the matter within the Board's approved amount of fund lending to the same party and the lending is authorized in installment or revolver within one year.

For the amount as mentioned in the preceding paragraph, in addition to the provisions of Paragraph 4 of Article 2, the amount of the credit granted by the Company to a single enterprise shall not exceed 10% of the net value of the Company's most recent financial statements.

When fund-lending to other parties, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

2. Lending Notice

After the approval of the loan case, the financial department shall promptly inform the borrower by letter or by telephone, to describe the loan conditions of the Company in detail, including the amount, term, interest rate, collateral and guarantor, etc., to let the borrower sign a confirmation the time limit, and to carry out the guarantee (pledge) mortgage and the cross collateral procedures of the guarantor, according to which the funds will then be released.

3. Sign Confirmation

For lending cases, the financial department shall draw up the contract terms, which shall then be audited by the competent department, and sent to the legal staff or legal counsel for review after approval, and then apply for the signing process.

The contents of the contract should be consistent with the approved terms of the loan. After the borrower and the joint guarantor sign on the contract, the financial department shall complete the cross collateral procedures.

4. Acquisition of collateral and security

- (1) Where any collateral is needed in the loan release conditions, the borrower shall provide the collateral and the legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.
- (2) All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The insurance policy shall be filled with the original loan approval conditions of the Company; If the insured building has not been set with the number, the address should be with the lot by location number.
- (3) The financial department shall inform the borrower to continue to buy the insurance before the expiry of the insured period.

5. Grant

After the loan case is approved and the contract is signed by the borrower and the

promissory note is sent for deposit (or installment repayment), and after the collateral (pledge) charge set registration is completed, and all the procedures are checked without errors, the funds can be released.

6. Documentation and custody

The Company shall set up a memorandum book for reviewing for the loan procedures. The object and amount concerned with the funds lending, the approval date by the board of directors, the release date of funds, as well as the matters that should be carefully evaluated according to the provisions of the paragraph 1 of Article 1 shall be recorded in detail for review.

Article 7 Detailed review procedures

When the Company lends the funds, the following review procedures shall be carried out:

1. Evaluation of the necessity and rationality of funds lending to other parties

When the borrower applies for borrowing funds from the Company, the financial department shall first get know of its purpose for funds and assess the necessity and rationality of funds lending to other parties.

2. Credit and risk assessment of the lending parties

- (1) For first time lending, the borrower shall submit the company's data such as the approval letter of the change registration and the change registration form, the profit business registration certificate and the copy of the ID card of the person in charge, as well as the necessary financial data to the Company to apply for the financing amount in writing.

After accepting of the application by the Company, the financial department shall investigate and evaluate the business, financial status, solvency and credit, profitability and borrowing purposes of the loan, and prepare reports.

- (2) If it is a continuing borrower, in principle, the credit shall be done once a year. If it is a major case, depending on the actual needs, the investigation of credit shall be done once every six months.

- (3) If the borrower is in good financial condition and the annual financial statements have been entrusted to the accountant to complete the financing visa, it shall continually use the survey report for more than 1 year and less than 2 years, and shall refer to the visa report loan and lending case audited by the accountant.

3. Acquisition of collateral and the appraisal value of collateral

When lending the funds to other parties by the Company, in addition to the subsidiaries, the Company shall obtain the guaranteed promissory notes of the same amount and, if necessary, apply for the mortgage of personal property or real estate property and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.

For the above creditor rights security, if the debtor takes the individual or company with considerable resources and credit in lieu of the provision of collateral as the guarantee, the board of directors shall carry out it by taking into account of the credit

report by the financial department; for the debtor takes a company as the guarantee, attention shall be paid to that whether there is any guarantee terms in the Articles of Association of the Company.

4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity
 - (1) After the investigation and evaluation of credit information, if the assessment result for the borrower credit is not good, the funds shouldn't be lent to the borrower, the financial department shall reply the borrower the reason why not grant the funds after approval as soon as possible.
 - (2) For the case with good investigation result of credit and with legitimate purpose, the financial department shall fill in the letter of credit and review the report, assess the reason, the use, the purpose, the amount, the benefit, the value of the collateral, the credit and the operation condition, and assess the impact on the Company's operating risk, financial position and shareholders' equity. After the formulation of the interest rate and the deadline, it shall be submitted to the general manager and the chairman for approval, and then submitted to the board of directors for handling by resolutions.

Article 8 Subsequent measures for control and management of loans, Procedures for handling delinquent creditor's rights

1. Once drawdown on a loan has been made, the financial, business and relevant credit conditions of the borrower and the guarantor shall be regularly monitored. Where collateral is provided, changes in its values shall be noted, and any material change thereto shall be immediately reported to the general manager and be dealt with according to the relevant instruction. At two months before the expiry of the loan allocated, the borrower should be notified to pay off the principal and interest or carry out the extension procedures.
2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrow or the cancellation of the mortgage registration.
3. The borrower shall pay the principal and interest when the loan is due. If the borrower is failure to pay the loan in due and needs to postpone the payment, it is necessary to make a request in advance and report to the board of directors for approval. The extension of each loan shall not be more than three months and shall only be subject to an extension and the period for the total amount of the loan (including the extension period) shall not exceed one year. The Company may make punishment and recourse against the offender as to the collateral or guarantor according to the law.

Article 9 Procedures for controlling and managing loans of funds to others by Subsidiaries

1. Where a Subsidiary of the Company proposes to grant a loan to a third party, the Company shall require the Subsidiary to establish procedures for granting of loans in accordance with the Regulations formulated by FSC and shall conform to such procedures.
2. When fund-lending to other parties is contemplated by the Subsidiary of the Company, the Subsidiary shall provide related information to the Company and take into account of the relevant personnel opinion before carrying out the fund-lending procedures.
3. After the loan is granted by the subsidiary, the subsidiary shall regularly report the follow-up situation of the loan amount to the Company.

Section 10 Information Disclosure

1. The company shall announce and report the previous month's loan balances of the Company and its subsidiaries by the 10th day of each month.
2. The company whose loans of funds reach one of the following levels shall announce and report such event within two days from its occurrence:
 - (1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.
 - (2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.
 - (3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.

If there is any reporting and announcement required for the Company's subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.

3. The Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.

Article 11 Penalties

If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the audit personnel or the authority director shall promptly report the violation to the general manager or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.

Article 12 Audit

Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify each supervisor.

Article 13 Miscellaneous

1. The subsidiaries and parent companies referred in the procedures, shall be defined in accordance with the guidelines for the preparation of financial statements by the issuer of securities.
2. The net value referred in the procedures, shall refer to the equity in the balance sheet attributable to the owners of the parent company as stipulated in the guidelines for Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. The announcement referred in the procedures, refers to the announcement reported to the website of the information designated by the FSC.
4. "Date of occurrence" in these Procedures means the date of signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of making loans and monetary amount, whichever date is earlier.
5. Should a borrower no longer satisfy the criteria set forth in the Regulations formulated by FSC or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the supervisors and the proposed correction actions should be implemented within the period specified in such plan.

Article 14 Implementation and Amendment

The Procedures shall be submitted to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Supervisors and report to the shareholders meeting for discussion, and the same to amendment.

When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting.

After Audit Committee has been established in accordance with SEA, the Procedures made and amend shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution.

In the preceding paragraph shall not apply.

In the preceding paragraph, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

Paragraph 3 as used in "All audit committee members" and "all directors" as used in the preceding paragraph, shall mean the actual number of persons currently holding those positions.

Where independent directors have been appointed in accordance with the provisions of the SEA, for matters for which notice shall be given to the supervisors under the article 12 paragraph, written notice shall also be given to the independent directors. According the paragraph 5 of Article 13, for the supervisor's improvement program shall be given to the independent directors.

After Audit Committee has been established in accordance with SEA, authorities according to article 12 and article 13 and the provisions regarding supervisors set out shall apply mutatis mutandis to the audit committee.

Article 15 Other important matters

In case of matters that are not specified in the procedures or the suitability is in doubt, they shall be handled in accordance with the relevant laws and regulations, for things that are not stipulated in the laws and regulations, they should be carried out according to the relevant provisions of the Company or decided by the board of directors by resolutions.

Phison Electronics Corporation
Procedures for Endorsement and Guarantee
(Before Amendment)

Article 1 Purpose

To strengthen the financial management of endorsements and guarantees and reduce the risk of operation, the Procedures are formulated specially according to Paragraph 1, Article 36 of Securities Exchange Act (hereinafter referred to as “the Act”) and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (hereafter referred to as “the Regulations”) of Financial Supervisory Commission (hereafter referred to as the “FSC”), and shall comply with these Procedures.

Article 2 Scope

1. The scope of endorsements/guarantees used herein is as follow:
 - (1) Financing endorsements/guarantees, including:
 - i . Bill discount financing.
 - ii . Endorsement or guarantee made to meet the financing needs of another company.
 - iii . Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
 - (2) Endorsements/guarantees of custom duties due from the Company or other companies.
 - (3) Other endorsements/guarantees that are not classified as prior two types.
2. The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company’s loan, shall be carried out in accordance with the Procedures.

Article 3 Entities for which the Company may make endorsement or guarantees

1. The Company may make endorsements/guarantees for the following companies:
 - (1) A company with which the Company does business.
 - (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
 - (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
2. Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements or guarantees may not exceed 10% of the net worth of the Company; provided that this restriction shall not apply to endorsements/guarantees made

between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

3. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the public company holds 100% of the voting shares.
4. "Capital contribution" referred to in the paragraph sentence shall mean capital contributed directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 4 Evaluation criteria for endorsements/guarantees

Where an endorsement/guarantee is made due to needs arising from business dealings, in addition to Article 5 that should be followed, evaluation standards shall be specified for determining whether the amount of an endorsement/guarantee is commensurate the total amount of trading between the two companies.

Article 5 The ceilings on amount of endorsement/guarantee

The amount of endorsement/guarantee provided by the Company is subject to the following limits:

1. The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 40% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
2. The amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
3. The endorsement or guarantee amount should not exceed past 12 months of total amount of transactions from the company with which the Company does business (The amount of business transactions refers to the amount of purchase or sales between the two parties, whichever is higher) and shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.

The amount of endorsement/guarantee provided by the Company and its subsidiaries is subject to the following limits:

1. The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 40% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
2. The amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
3. The endorsement or guarantee amount should not exceed past 12 months of total amount of transactions from the company with which the Company does business (The amount of business transactions refers to the amount of purchase or sales between the two parties, whichever is higher) and shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.

Article 6 Procedures for handling endorsement/guarantee

1. Application and review procedures

- (1). If the other companies apply to the Company to provide endorsement and /or guarantee, the financial department shall initially contact to and know the purpose and the amount of endorsement and/or guarantee apply for, collect the attached relevant documents; and shall conduct details examination in accordance with Article 7 with a credit review reports submitted to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and /or guarantee shall be reported to the most recent board of directors' meeting for a complement ratification.
- (2). If the Company provide endorsement and /or guarantee for business and operation needs, the financial department shall collect the relevant documents and conduct details examination in accordance with Article 7 with a credit review reports submitted to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and /or guarantee shall be reported to the most recent board of directors' meeting for a complement ratification.

2. Notice of endorsement/guarantee

After approval of endorsement/guarantee, the financial department shall inform the guaranteed company by letter or by telephone, and ask the company who needs to obtain collateral by assessment to carry out the (pledge) mortgage procedures within the time limit, only after then can the relevant documents such as the endorsement/guarantee contract or the guarantee bill submit to the chop custody person or issue notes.

3. Acquisition of collateral and security

- (1). Where any collateral is needed in handling endorsement/guarantee, the Company

shall handle the pledge or mortgage to protect the rights of the Company.

- (2). All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The insurance policy shall be filled with the original endorsement and guarantee conditions of the Company; If the insured building has not been set with the number, the address should be with the lot by location number.
- (3). The financial department shall inform the endorsement guarantor to continue to buy the insurance before the expiry of the insured period.

4. Documentation and custody

The Company shall establish and maintain a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the Chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of Article 9.

Article 7 Detailed review procedures

When the Company deals with endorsement/guarantee, the following review procedures shall be followed:

1. The necessity and rationality of endorsement and guarantee

When the third company applies for endorsement and guarantee from the Company or the Company needs for endorsement and guarantee due to its own business or operating requirements, the financial department shall first get know of its purpose and assess the necessity and rationality of the endorsement and guarantee.

2. Credit and risk assessment on endorsement/guarantee

- (1) For first time endorsement/guarantee, the endorsement company shall submit the company's data such as the approval letter of the change registration and the change registration form, the profit business registration certificate and the copy of the ID card of the person in charge, as well as the necessary financial data to the Company to apply for the endorsement/guarantee in writing.

After accepting the application by the Company, the financial department shall investigate, evaluate and issue reports as to the purpose of the business, financial status and endorsement/guarantee purpose of the guaranteed object by.

- (2) If it is a continuing endorsement/guarantee, in principle, the credit shall be done once a year. If it is a major case, depending on the actual needs, the investigation of credit shall be done once every six months.

3. Acquisition of collateral and the appraisal value of collateral

The Company shall request the guaranteed entity to provide the promissory notes and the mortgage of personal property or real estate property as guarantee and shall, in

advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.

For the above creditor rights security, if the debtor takes the individual or company with considerable resources and credit in lieu of the provision of collateral as the guarantee, the board of directors shall carry out it by taking into account of the credit report by the financial department.

4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity

(1) After the investigation and evaluation of credit information, if the assessment result of credit for the guaranteed entity is not good, for whom the Company do not intend to make endorsement/guarantee, the financial department shall reply the guaranteed entity the refuse reason after approval as soon as possible.

(2) For the case with good investigation result of credit and with legitimate purpose, the financial department shall fill in the letter of credit and review the report, assess the reason, the use, the purpose, the amount, the benefit, the value of the collateral, the credit and the operation condition, and assess the impact on the Company's operating risk, financial position and shareholders' equity, and deal with the case after submitting these reports to the chairman for approval according to Article 9, and then to the board of directors for confirmation.

(3) If the Company provide endorsement and /or guarantee for business and operation needs, the financial department shall submit a review report to assess the impact on the Company's operating risk, financial position and shareholders' equity to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and /or guarantee shall be reported to the most recent board of directors' meeting for a complement ratification.

Article 8 The usage and custody of a chop

The Company shall maintain a chop as the dedicated chop for endorsements /guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors and may be used to seal or issue negotiable instruments only in prescribed procedures.

In the case of endorsement/guarantee for a foreign company, the letter of guarantee issued by the company shall be signed by the person who is authorized by the board of directors.

Article 9 Hierarchy of decision-making authority and delegation thereof

1. When the Company makes any endorsement and/or guarantee, the financial department shall carefully assess it whether be consistent with the Regulations formulated by FSC and the provisions of the Procedures. A pre-determined limit together with the assessment result of Article 7 may be delegated to the Chairman by

the Board of Directors to facilitate execution according to Article 9 and such endorsement /guarantee shall be reported to the most coming Board of Directors' Meeting for ratification. The limit shall not exceed the amount that set forth in Article 5 of endorsement/ guarantee provided by the Company.

Before making any endorsement/guarantee pursuant to a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution according to paragraph 2 of Article 3; provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

When the Company makes endorsements and/or guarantees for the companies, it shall take into full consideration each Independent Director's opinions; Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board meeting.

2. In case the above limits have to be exceeded to accommodate business needs, a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

When it makes endorsements / guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 10 Procedures for managing endorsement or guarantee by subsidiaries

1. Where the Company's Subsidiary intends to make endorsements/guarantees for others, it shall formulate its own operational procedures for endorsements/guarantees in compliance with the Regulations formulated by FSC and shall comply with its procedures when making endorsements/guarantee.
2. When making endorsements/guarantees for others is contemplated by the Subsidiary of the Company, the Subsidiary shall provide related information to the Company and take into account of the relevant personnel before carrying out the endorsements/guarantees procedure.
3. After the endorsements/guarantees are made by the subsidiary, the subsidiary shall regularly report the follow-up situation of the amount of endorsements/guarantees to the Company.

Section 11 Information Disclosure

1. The company shall announce and report the previous month's balances of endorsements/guarantees of the Company and its subsidiaries by the 10th day of each month.
2. The company whose endorsements/guarantees reach one of the following levels shall announce and report such event within two days from its occurrence:
 - (1) The aggregate balance of endorsements/guarantees to others by the Company and its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.
 - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, used equity method investment account amount, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.
 - (4) The amount of new endorsements or guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

If there is any reporting and announcement required for the Company's subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.
3. The Accounting Unit shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing.

Article 12 Penalties

If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the audit personnel or the authority director shall promptly report the violation to the general manager or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.

Article 13 Audit

Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify each supervisor.

Article 14 Miscellaneous

1. The subsidiaries and parent companies referred in the procedures, shall be defined in accordance with the guidelines for Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. The net value referred in the procedures, shall refer to the equity in the balance sheet attributable to the owners of the parent company as stipulated in the guidelines for preparation of the financial statements of the issuer of securities.
3. The announcement referred in the procedures, refers to the announcement reported to the website of the information designated by the FSC.
4. "Date of occurrence" in these Procedures means the date of signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of endorsements/guarantees and monetary amount, whichever date is earlier.
5. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Regulations and the procedures, or the amount of endorsement/guarantee exceeds the limit, the company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.
6. The Company shall not make endorsements or guarantees to the Subsidiary's net worth below 50% of issued capital.
In the case of a Subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the aforementioned calculation, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 15 Implementation and amendment

The Procedures shall be submitted to the Supervisors and report to shareholders meeting for approval after passing of Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Supervisors and report to the shareholders meeting for discussion, and the same to amendment.

When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting.

After Audit Committee has been established in accordance with SEA, the procedures shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution.

In the preceding paragraph shall not apply.

In the preceding paragraph, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

Paragraph 3 as used in "All audit committee members" and "all directors" as used in the preceding paragraph, shall mean the actual number of persons currently holding those positions.

Where independent directors have been appointed in accordance with the provisions of the SEA, for matters for which notice shall be given to the supervisors under the article 13, written notice shall also be given to the independent directors. According the paragraph 5 of Article 14, for the supervisor's improvement program shall be given to the independent directors.

After Audit Committee has been established in accordance with SEA, authorities according to article 13 and the paragraph 5 of article 14 for supervisors of the Procedures are applicable to the Audit Committee.

Article 16 Other important matters

In case of matters that are not specified in the procedures or the suitability is in doubt, they shall be handled in accordance with the relevant laws and regulations, for things that are not stipulated in the laws and regulations, they should be carried out according to the relevant provisions of the Company or decided by the board of directors by resolutions.

Phison Electronics Corporation
Current Shareholding of Directors

1. The statutory shareholding of directors of the Company is as follows:

Types and total number of shares issued by the Company: 197,073,993 common shares.

Statutory minimum number of shares held by all directors is 11,824,439 shares.

As the Company has established the Audit Committee, statutory shares held by supervisors are not applicable.

2. As of March 30, 2021, the book closure date of the general shareholders' meeting, the number of shares held by all directors:

Record date: March 30, 2021

Position	Name	Current shareholding (shares)	Representative
Chairman	Khein Seng Pua	4,557,972	
Director	Chee Kong Aw Yong	3,463,745	
Director	Tzung Horng Kuang	1,413,736	
Director	Jiunn Yeong Yang	4,549,114	
Director	KIOXIA Corporation	19,821,112	Hiroshi Miyauchi
Director	Cheng He Investment Co., Ltd	2,363,000	Chih Jen Hsu
Independent Director	Wen Chiu Chung	0	
Independent Director	Chen Wei Wang	0	
Independent Director	Yu Lun Huang	0	
Number of shares actually held by all directors		36,168,679	
Shareholding ratio of total issued shares (%)		18.35	

The effect of dividend distributions for the current fiscal year on the Company's operating performance, earnings per share, and return on equity : Not Applicable.

Phison Electronics Corporation



Chairman: Khein Seng Pua





PHISON
Knows What You Need

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