

Notice to Readers

*For the convenience of readers, the Meeting Minutes of 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 Meeting Minutes of 2021 Annual General Shareholders' Meeting shall prevail.*

  
**PHISON ELECTRONICS CORP.**  
**2021 ANNUAL GENERAL SHAREHOLDERS' MEETING**  
**MEETING MINUTES**

(Translation)

Time and Date: 9:00 A.M. on July 26, 2021 (Monday)

Place: 1 Factory, 1F Meeting Room, No. 1, Qun-Yi Rd., Jhunan, Miaoli, Taiwan

Total outstanding Phison shares: 197,073,993 shares

Total shares represented by shareholders present in person or by proxy :  
153,453,935 shares (including 105,811,151 shares which attended through electronic voting).

Percentage of share held by shareholders present in person or by proxy : 77.86%

Attendants' directors: Chairman Khein Seng Pua, Director Aw Yong Cheek Kong ( Attended via video conference ) , Director Tzung Horng Kuang ( Attended via video conference ) , Director Cheng He Investment Co., Ltd Representative: Chih Jen Hsu ( Attended via video conference ) , Director Jiunn Yeong Yang ( Attended via video conference ) , Director KIOXIA Corporation Representative: Hiroshi Miyauchi ( Attended via video conference ) , Independent Director Wen Chiu Chung ( Attended via video conference ) , Independent Director Chen Wei Wang ( Attended via video conference ) , Independent Director Yu Lun Huang ( Attended via video conference ) .

Attendants as guest or observer: Accountants Xin Wei Dai of Deloitte & Touche ( Attended via video conference ) , Yu Ning Chen of HL & Partners , Attorney-At-Law ( Attended via video conference ) .

Chairman: Khein Seng Pua, the chairman of the Board of Directors

Recorder: Angela Lee

### **I. Call Meeting to Order :**

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

### **II. Chairman's Address (Omitted)**

### **III. Matters to Report (Proposed by Board of Directors)**

Case No. 1: The Company's 2020 business report, please refer to Attachment 1.

Case No. 2: Audit Committee's Review Report of 2020 Financial Statements, please refer to Attachment 2.

Case No. 3: 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: 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: Report of the Company's Investment in the Mainland.

Explanation: Please refer to Attachment 3 for information on the Company's

investment in the Mainland in 2020.

Case No. 6: Establishment of "Corporate Governance Best Practice Principles", please refer to Attachment 4.

Case No. 7: Establishment of "Corporate Social Responsibility Best Practice Principles", please refer to Attachment 5.

Case No. 8: Establishment of "Corporate Governance Best Practice Principles", please refer to Attachment 6.

Case No. 9: 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"), please refer to Attachment 7.

#### **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 and Attachment 8.

Voting Results :

Shares represented at the time of voting : 152,539,935 Votes (Including votes casted electronically 104,897,151 Votes).

(votes casted electronically)

Votes in favor	Votes against	Votes invalid	Votes abstained
134,936,486 Votes (87,298,702 Votes)	41,977 Votes (41,977 Votes)	0 Votes	17,561,472 Votes (17,556,472 Votes)
88.45%	0.00%	0.00%	11.51%

RESOLVED, that the above proposal be and hereby was approved as proposed.

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\$)

<b>Retained earnings at the beginning of the period</b>	<b>13,598,983,731</b>
<b>Net profit after tax of Year 2020</b>	<b>8,699,044,242</b>
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
<b>The total of, the net profit after tax of Year 2020 plus the else items of the period be included in the undistributed earnings.</b>	<b>8,682,254,647</b>
Less: 10% Legal Reserve	868,225,465
Add: Reversal of Special Reserve based on regulations	10,784,120
<b>Distributed earnings as of December 31, 2020</b>	<b>21,423,797,033</b>
<b>Distributable items:</b>	
Dividend to shareholders-Cash (Distributed NT\$23 per share)	4,532,701,839
<b>Unappropriated retained earnings by the end of the period.</b>	<b>16,891,095,194</b>

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.

**Voting Results :**

Shares represented at the time of voting : 152,539,935 Votes (Including votes casted electronically 104,897,151 Votes).

(votes casted electronically)

Votes in favor	Votes against	Votes invalid	Votes abstained
135,372,077 Votes (87,734,293 Votes)	49,977 Votes (49,977 Votes)	0 Votes	17,117,881 Votes (17,112,881 Votes)
88.74%	0.03%	0.00%	11.22%

RESOLVED, that the above proposal be and hereby was approved as proposed.

**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.

Voting Results :

Shares represented at the time of voting : 152,539,935 Votes (Including votes casted electronically 104,897,151 Votes).

(votes casted electronically)

Votes in favor	Votes against	Votes invalid	Votes abstained
134,248,023 Votes (86,610,239 Votes)	820,385 Votes (820,385 Votes)	0 Votes	17,471,527 Votes (17,466,527 Votes)
88.00%	0.53%	0.00%	11.45%

RESOLVED, that the above proposal be and hereby was approved as proposed.

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 amendment comparison table for the "Articles of Association".

【Additional note: This regular shareholders meeting was postponed in response to the COVID-19 epidemic, and the revision date of the "Articles of Association" was revised to be the actual date of the shareholders meeting held on July 26, 2021.】

Voting Results :

Shares represented at the time of voting : 152,539,935 Votes (Including votes casted electronically 104,897,151 Votes).

(votes casted electronically)

Votes in favor	Votes against	Votes invalid	Votes abstained
113,891,440 Votes (66,253,656 Votes)	19,916,928 Votes (19,916,928 Votes)	0 Votes	18,731,567 Votes (18,726,567 Votes)
74.66%	13.05%	0.00%	12.27%

RESOLVED, that the above proposal be and hereby was approved as proposed.

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 for the comparison table of the above amendments.

Voting Results :

Shares represented at the time of voting : 152,539,935 Votes (Including votes casted electronically 104,897,151 Votes).

(votes casted electronically)

Votes in favor	Votes against	Votes invalid	Votes abstained
135,028,066 Votes (87,390,282 Votes)	45,294 Votes (45,294 Votes)	0 Votes	17,466,575 Votes (17,461,575 Votes)
88.51%	0.02%	0.00%	11.45%

RESOLVED, that the above proposal be and hereby was approved as proposed.

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 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”.

Voting Results :

Shares represented at the time of voting : 152,539,935 Votes (Including votes casted electronically 104,897,151 Votes).

(votes casted electronically)

Votes in favor	Votes against	Votes invalid	Votes abstained
133,334,045 Votes (85,696,261 Votes)	1,389,282 Votes (1,389,282 Votes)	0 Votes	17,816,608 Votes (17,811,608 Votes)
87.40%	0.91%	0.00%	11.67%

RESOLVED, that the above proposal be and hereby was approved as proposed.

**VI. Extraordinary Motions: None.**

**VII. The meeting was adjourned at 09:26 AM on July 26, 2021 (Monday).**



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**Khein Seng Pua**  
 Chairman of the Board of Directors



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**Angela Lee**  
 Recorder

# **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 Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	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	\$ -	\$ -	\$ 53,096	-	\$ (1,992)	\$ -	\$ -	3
Hefei 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	630,990	24.41	168,053	1,393,661	-	3
Hefei Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	b (1)	182,825	-	-	182,825	100.00	(4,421)	170,044	-	-
Hefei Yichao Electronics Technology Ltd.	Design, R&D, sale of electronics hardware and rendering of related services and investment	-	b (2)	-	-	-	-	-	114,148	-	-	3
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	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	-	442,780	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 of incorporation 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 13<sup>th</sup> 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 <del>Directors, Supervisors, and Managers</del> .	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, <del>Supervisor</del> , 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 <del>employees</del> while reading this Code.		concurrently shall read the applicable code of conduct while reading this Code.	
Article 2	<p>Eligible Entities</p> <p>The Director, <del>Supervisor</del>, 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)</p>	Article 2	<p>Eligible Entities</p> <p>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)</p>	<p>Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.</p>
Article 4	<p>Paragraph1 : Omitted.</p> <p>Subparagraph 1 : Omitted.</p> <p>2. Avoidance of Seeking Personal Interests, Prevention of Interest Conflicts and Interest Avoidance</p> <p>The interest conflict refers to that the</p>	Article 4	<p>Paragraph1 : Omitted.</p> <p>Subparagraph 1 : Omitted.</p> <p>2. Avoidance of Seeking Personal Interests, Prevention of Interest Conflicts and Interest Avoidance</p> <p>The interest conflict refers to that the</p>	<p>1. Established audit committee to replace the supervisors and Delete the part of the clause related</p>

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, <del>parents,</del> <del>children,</del> 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> <ol style="list-style-type: none"> <li>(1) Jointly setting price</li> <li>(2) Distributing and carving up the market or customers.</li> <li>(3) Boycotting or refusing other customer, supplier or competitor transaction jointly.</li> <li>(4) Engaging in other illegal limited competition behavior.</li> </ol> <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> <ol style="list-style-type: none"> <li>(1) Jointly setting price</li> <li>(2) Distributing and carving up the market or customers.</li> <li>(3) Boycotting or refusing other customer, supplier or competitor transaction jointly.</li> <li>(4) Engaging in other illegal limited competition behavior.</li> </ol> <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, <del>Supervisor</del>, 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 Any suspected violation of the Code shall be reported to a <del>Supervisor</del>, 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 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><del>When the Manager of the Company violates the Rule, if the evidence can be proved, the complaint will be filed</del></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><del>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.</del></p> <table border="1"> <thead> <tr> <th><del>Violating unit</del></th> <th><del>Complaint-accepting unit</del></th> <th><del>Resolution-disciplinary unit</del></th> </tr> </thead> <tbody> <tr> <td><del>Manager (President-excluded)</del></td> <td><del>President</del></td> <td><del>President, Board of Directors</del></td> </tr> <tr> <td><del>President</del></td> <td><del>Board of Directors</del></td> <td><del>Board of Directors</del></td> </tr> <tr> <td><del>Director</del></td> <td><del>Supervisor</del></td> <td><del>Shareholders' Meeting</del></td> </tr> <tr> <td><del>Supervisor</del></td> <td><del>Other Supervisors</del></td> <td><del>Shareholders' Meeting</del></td> </tr> </tbody> </table>		<del>Violating unit</del>	<del>Complaint-accepting unit</del>	<del>Resolution-disciplinary unit</del>	<del>Manager (President-excluded)</del>	<del>President</del>	<del>President, Board of Directors</del>	<del>President</del>	<del>Board of Directors</del>	<del>Board of Directors</del>	<del>Director</del>	<del>Supervisor</del>	<del>Shareholders' Meeting</del>	<del>Supervisor</del>	<del>Other Supervisors</del>	<del>Shareholders' Meeting</del>		<p><u>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.</u></p>	
<del>Violating unit</del>	<del>Complaint-accepting unit</del>	<del>Resolution-disciplinary unit</del>																		
<del>Manager (President-excluded)</del>	<del>President</del>	<del>President, Board of Directors</del>																		
<del>President</del>	<del>Board of Directors</del>	<del>Board of Directors</del>																		
<del>Director</del>	<del>Supervisor</del>	<del>Shareholders' Meeting</del>																		
<del>Supervisor</del>	<del>Other Supervisors</del>	<del>Shareholders' Meeting</del>																		
Article 7	<p>Implementation The Code shall be implemented after the Board of Directors approves and submitted to each Supervisor and the shareholders'</p>		Article 7	<p>Implementation The Code shall be implemented after the Board of Directors approves and submitted to <u>Audit Committee</u> and the shareholders'</p>	<p>Established audit committee to replace the supervisors and</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	%
<b>CURRENT ASSETS</b>				
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	-
<b>Total current assets</b>	<b>34,003,761</b>	<b>72</b>	<b>29,491,045</b>	<b>77</b>
<b>NON-CURRENT ASSETS</b>				
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	-
<b>Total non-current assets</b>	<b>13,279,364</b>	<b>28</b>	<b>8,788,908</b>	<b>23</b>
<b>TOTAL</b>	<b>\$ 47,283,125</b>	<b>100</b>	<b>\$ 38,279,953</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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
<b>Total current liabilities</b>	<b>11,679,762</b>	<b>25</b>	<b>8,979,663</b>	<b>24</b>
<b>NON-CURRENT LIABILITIES</b>				
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	-
<b>Total non-current liabilities</b>	<b>447,896</b>	<b>1</b>	<b>137,970</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,127,658</b>	<b>26</b>	<b>9,117,633</b>	<b>24</b>
<b>EQUITY (Note 20)</b>				
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)
<b>Total equity</b>	<b>35,155,467</b>	<b>74</b>	<b>29,162,320</b>	<b>76</b>
<b>TOTAL</b>	<b>\$ 47,283,125</b>	<b>100</b>	<b>\$ 38,279,953</b>	<b>100</b>

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 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	%
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>				
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>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 8,721,255</u>	<u>18</u>	<u>\$ 4,762,958</u>	<u>11</u>
<b>EARNINGS PER SHARE (NT\$, Note 23)</b>				
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)**

	Common Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating 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								
Legal reserve	-	-	431,812	-	(431,812)	-	-	-
Special reserve	-	-	-	380,927	(380,927)	-	-	-
Cash dividends - NT\$13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)
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								
Legal reserve	-	-	455,816	-	(455,816)	-	-	-
Reversal of special reserve	-	-	-	(204,802)	204,802	-	-	-
Cash dividends - NT\$13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)
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	<u>\$ 1,970,740</u>	<u>\$ 6,586,173</u>	<u>\$ 4,306,531</u>	<u>\$ 176,125</u>	<u>\$ 22,281,239</u>	<u>\$ (37,091)</u>	<u>\$ (128,250)</u>	<u>\$ 35,155,467</u>

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)**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>1,149</u>	<u>673</u>
Cash generated from operations	7,685,173	553,020
Interest paid	(2,657)	(2,006)
Income tax paid	<u>(875,411)</u>	<u>(724,686)</u>
Net cash generated from (used in) operating activities	<u>6,807,105</u>	<u>(173,672)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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

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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	%
<b>CURRENT ASSETS</b>				
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	-
<b>Total current assets</b>	<b>37,326,925</b>	<b>78</b>	<b>31,959,839</b>	<b>83</b>
<b>NON-CURRENT ASSETS</b>				
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	-
<b>Total non-current assets</b>	<b>10,237,027</b>	<b>22</b>	<b>6,676,941</b>	<b>17</b>
<b>TOTAL</b>	<b>\$ 47,563,952</b>	<b>100</b>	<b>\$ 38,636,780</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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
<b>Total current liabilities</b>	<b>11,762,682</b>	<b>25</b>	<b>9,306,381</b>	<b>24</b>
<b>NON-CURRENT LIABILITIES</b>				
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	-
<b>Total non-current liabilities</b>	<b>645,803</b>	<b>1</b>	<b>141,771</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,408,485</b>	<b>26</b>	<b>9,448,152</b>	<b>24</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)</b>				
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)	-
<b>Total equity attributable to owners of the Corporation</b>	<b>35,155,467</b>	<b>74</b>	<b>29,162,320</b>	<b>76</b>
<b>NON-CONTROLLING INTERESTS</b>				
	-	-	26,308	-
<b>Total equity</b>	<b>35,155,467</b>	<b>74</b>	<b>29,188,628</b>	<b>76</b>
<b>TOTAL</b>	<b>\$ 47,563,952</b>	<b>100</b>	<b>\$ 38,636,780</b>	<b>100</b>

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)**

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	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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						Other Equity		Non-controlling Interests	Total Equity
	Common Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings					
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										
Legal reserve	-	-	431,812	-	(431,812)	-	-	-	-	-
Special reserve	-	-	-	380,927	(380,927)	-	-	-	-	-
Cash dividends - NT\$13 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)	(44,591)	265,216	219,469	(969)	218,500
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	26,308	29,188,628
Appropriation of the 2019 earnings										
Legal reserve	-	-	455,816	-	(455,816)	-	-	-	-	-
Reversal of special reserve	-	-	-	(204,802)	204,802	-	-	-	-	-
Cash dividends - NT\$13 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	-	(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

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)**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>(1,060)</u>	<u>(10,008)</u>
Cash generated from operations	7,829,438	564,028
Interest paid	(4,621)	(2,006)
Income tax paid	<u>(1,222,691)</u>	<u>(762,238)</u>
Net cash generated from (used in) operating activities	<u>6,602,126</u>	<u>(200,216)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	37,436	-
Net cash used in investing activities	<u>(434,610)</u>	<u>(1,163,724)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	(34,734)	27,298
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 <del>and foreign competition situations</del> and capital budgets, in order to safeguard the shareholders' interests, balance dividend and cater the long-term financial plan. <del>On an annual basis, the Board of Directors will formulate a distribution plan, and report it to the shareholders' meeting.</del> 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. 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	
			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.	
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>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>	Add the number of amendments and date of amendment.

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

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>The sixteenth amendment was made on June 15, 2010.</p> <p>The seventeenth amendment was made on June 15, 2011.</p> <p>The eighteenth amendment was made on June 11, 2013.</p> <p>The nineteenth amendment was made on June 17, 2014.</p> <p>The twentieth amendment was made on June 2, 2015.</p> <p>The twenty-first amendment was made on June 15, 2016.</p> <p>The twenty-second amendment was made on June 13, 2017.</p> <p>The twenty-thirdly amendment was made on June 12, 2019.</p> <p>The twenty-fourly amendment was made on June 3, 2020.</p>		<p>The sixteenth amendment was made on June 15, 2010.</p> <p>The seventeenth amendment was made on June 15, 2011.</p> <p>The eighteenth amendment was made on June 11, 2013.</p> <p>The nineteenth amendment was made on June 17, 2014.</p> <p>The twentieth amendment was made on June 2, 2015.</p> <p>The twenty-first amendment was made on June 15, 2016.</p> <p>The twenty-second amendment was made on June 13, 2017.</p> <p>The twenty-thirdly amendment was made on June 12, 2019.</p> <p>The twenty-fourly amendment was made on June 3, 2020.</p> <p><u>The twenty-fifthly amendment was made on July 26, 2021.</u></p>	

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

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Amended the Procedures name	Procedures of Election of Directors and Supervisors	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 and supervisors shall be conducted in accordance with these Procedures.	Article 1	<u>Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation,</u> 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	<u>Article 2</u>	<u>The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors.</u>	1. New in this article. 2. According to

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p><u>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:</u></p> <p><u>1.Basic requirements and values: Gender, age, nationality, and culture.</u></p> <p><u>2.Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</u></p> <p><u>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:</u></p> <p><u>1.The ability to make judgments about operations.</u></p>	the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<u>2. Accounting and financial analysis ability.</u> <u>3. Business management ability.</u> <u>4. Crisis management ability.</u> <u>5. Knowledge of the industry.</u> <u>6. An international market perspective.</u> <u>7. Leadership ability.</u> <u>8. Decision-making ability.</u> <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> <u>The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.</u>	
	New in this article	<u>Article 3</u>	<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>	1. New in this article. 2. According to the “Sample Template for XXX Co., Ltd.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<u>Principles for TWSE/GTSM Listed Companies.</u>	Procedures for Election of Directors” to amend.
Article 3-1	<p>Elections of both directors <del>(including independent directors)</del> 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.</p> <p><del>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.</del></p>	Article 4	<p>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.</p> <p><u>When the number of directors falls below five 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.</u></p> <p><u>When the number of independent directors falls below that required under the proviso of</u></p>	<ol style="list-style-type: none"> <li>1. Article change.</li> <li>2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.</li> <li>3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.</li> </ol>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<u>Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies</u>	
Article <del>3</del>	The election of the Company's directors <del>and supervisors</del> adopts an <del>open</del> -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 <u>5</u>	The election of the Company's directors 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.	<ol style="list-style-type: none"> <li>1. Article change.</li> <li>2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.</li> <li>3. Established audit committee to replace the supervisors and</li> </ol>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
				Delete the part of the clause related to the supervisor.
Article 2	For the election of the Company's directors <del>and supervisors</del> , the Board of Directors shall prepare <del>and separate</del> the ballot of directors <del>and supervisors</del> , specify the number of voting rights associated with each ballot, and distribute them to the shareholders attending the shareholders' meeting. <del>Shareholders' accounting numbers or attendance</del> 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 <u>ballots in the same number of the directors to be elected</u> , 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.	<ol style="list-style-type: none"> <li>1. Article change.</li> <li>2. According to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" to amend.</li> <li>3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.</li> </ol>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 4	<p>The specified number of directors <del>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.</del></p> <p><del>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.</del></p>	Article 7	<p><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></p> <p>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.</p>	<ol style="list-style-type: none"> <li>1. Article change.</li> <li>2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.</li> <li>3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.</li> </ol>

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. <del>However the vote monitoring personnel shall have the shareholder status.</del>	Article 8	<u>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.</u>	1. Article change. 2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.
Article 6	<del>The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.</del>		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"> <li>1. The ballot was not prepared by using these procedures.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>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.</li> </ol>	Article 10	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by using these procedures.</li> <li>2. A blank ballot is placed in the ballot box.</li> <li>3. The writing is unclear and indecipherable or has been altered.</li> <li>4. <u>In case the</u> 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></li> </ol>	<ol style="list-style-type: none"> <li>1. Article change.</li> <li>2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.</li> </ol>

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><u>the director candidate list after a 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	<del>The directors are elected by independent directors and non independent directors together, but the votes shall be counted separately for electing them respectively.</del>		<u>Delete this article.</u>	<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 <del>10</del>	<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 <del>or supervisors</del> 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. 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 <u>11</u>	<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. 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"> <li>1. Article change.</li> <li>2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.</li> <li>3. Established audit committee to replace the supervisors and Delete the part of the clause related to the supervisor.</li> <li>4. Discretionary text.</li> </ol>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 11	<del>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.</del>		<u>Delete this article.</u>	<ol style="list-style-type: none"> <li>1. Delete this article.</li> <li>2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.</li> </ol>
Article 12	The board of directors of the Company shall issue notifications to the persons elected as directors <del>or supervisors.</del>	Article 12	The board of directors of the Company shall issue notifications to the persons elected as directors.	<ol style="list-style-type: none"> <li>1. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend..</li> <li>2. Established audit committee to replace the</li> </ol>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
				supervisors and Delete the part of the clause related to the supervisor.
Article 13	<del>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.</del>		<u>Delete this article.</u>	1. Delete this article. 2. According to the “Sample Template for XXX Co., Ltd. Procedures for Election of Directors” to amend.
Article 14	Omitted.	Article <u>13</u>	Omitted.	Article change.

**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="4">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 rowspan="3">Long-term securities investment (including long-term equity investment)</td> <td>Below 80 million (including)</td> <td></td> <td></td> <td>Approval</td> <td>Review</td> </tr> <tr> <td>80 million (excluding) ~ 260 million (including)</td> <td></td> <td>Approval</td> <td>Review</td> <td>Review</td> </tr> <tr> <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 (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	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="4">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 rowspan="3">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>80 million (including) ~ 300 million (excluding)</td> <td></td> <td>Approval</td> <td>Review</td> <td>Review</td> </tr> <tr> <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	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.
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																																																															
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Short-term securities investment	Total amount per level below 100 million (including)			Approval	Review																																																															

Current Articles							Amended Articles							Amendment Explanation
Article	Content						Article	Content						
	Real property (or right-of-use assets thereof)	Total amount per level 100 million (excluding) ~ 300 million (including)		Approval	Review	Review	Real property (or right-of-use assets thereof)	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		Total amount per level over 300 million (excluding)	Approval	Review	Review	Review		
		Below <del>100000</del> 100000 (excluding)				Approval		Below <del>300000</del> 300000 (excluding)				Approval		
		<del>100000</del> 100000 (including) ~ 150 million (including)		Approval	Review	Review		<del>300000</del> 300000 (including) ~ 300 million (excluding)		Approval	Review	Review		
		Over <del>150</del> 150 million (excluding)	Approval	Review	Review	Review		Over 300 million (including)	Approval	Review	Review	Review		
(Continue on the table below)							(Continue on the table below)							
(Continue from the table above)							(Continue from the table above)							
			Authority											
	Item	Amount	Board of Directors	Chairman	General Manager	Division Chief								
	Equipment(or right-of-use assets thereof)	Below <del>100000</del> 100000 (excluding)				Approval	Equipment(or right-of-use assets thereof)	Below <del>300000</del> 300000 (excluding)				Approval	Review	
		<del>100000</del> 100000 (including) ~ 30 million (including)			Approval	Review		<del>30 million</del> 30 million (including) ~ 300 million (excluding)		Approval	Review	Review		
								Over 300 million (including)	Approval	Review	Review	Review		
(Continue on the table below)							(Continue on the table below)							
(Continue from the table above)							(Continue from the table above)							



Current Articles							Amended Articles							Amendment Explanation
Article	Content						Article	Content						
	or transfer of shares in accordance with acts of law	Shall be decided by resolution of the Board of Shareholders according to laws	Review	Review	Review	Review		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 ( <del>including</del> )		Approval	Review	Review		Other major assets	Below 150 million ( <del>excluding</del> )		Approval	Review	Review	
		Over 150 million ( <del>excluding</del> )	Approval	Review	Review	Review			Over 150 million ( <del>including</del> )	Approval	Review	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. <del>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.</del>  <del>After the position of independent director has been created,</del> 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.  <del>After an Audit Committee has been established,</del> 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</p>						<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>							

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	approved by more than half of all directors with more than two-thirds of all directors being present.  Contents below are omitted.		approved by more than half of all directors with more than two-thirds of all directors being present.  Contents below are omitted.	
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 is adopted by the subsidiaries' Board of Directors, <del>it shall be submitted to the Board of Directors of the Company.</del> The same shall apply to the amendment of this procedure.  Contents below are omitted.	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 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.  Contents below are omitted.	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	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	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	With regard to the establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>matters have been approved by the board of directors <del>and recognized by the supervisors:</del></p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal.</li> <li>2. The reason for choosing the Related Party as a trading counterparty.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</li> <li>7. Restrictive and other important stipulations associated with the transaction.</li> </ol> <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 <del>and recognized by the Supervisors</del> 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>contract or make a payment until the following matters have been approved by the <u>Audit Committee and</u> the board of directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal.</li> <li>2. The reason for choosing the Related Party as a trading counterparty.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</li> <li>7. Restrictive and other important stipulations associated with the transaction.</li> </ol> <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 <u>Audit Committee and</u> 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>	accordingly.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<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> <ol style="list-style-type: none"> <li>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</li> <li>(2) Acquisition or disposal of real property right-of-use assets held for business use</li> </ol> <p><del>After the position of Independent Director has been established in accordance with the provisions of Securities Exchange Act,</del> 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><del>After an Audit Committee has been established in accordance with the issues which shall be recognized by Audit Committee. It</del> 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>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> <ol style="list-style-type: none"> <li>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</li> <li>(2) Acquisition or disposal of real property right-of-use assets held for business use</li> </ol> <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</u> 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>	
Article 12	<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"> <li>1. Omitted.</li> <li>2. <del>Supervisors</del> shall comply with the provisions of Article 218 of the Company Act. <del>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.</del></li> </ol>	Article 12	<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"> <li>1. Omitted.</li> <li>2. <u>Independent directors that are members of the Audit Committee</u> shall comply with the provisions of Article 218 of the Company Act.</li> </ol>	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	
	Contents below are omitted.		Contents below are omitted.	
Article 21	<p>Penalties</p> <p>Any director, <del>supervisor</del> 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. <del>Where an audit committee has been established in accordance with SEA, relating to supervisors shall apply mutatis mutandis to the audit committee.</del></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>Penalties</p> <p>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 establishment of an audit committee to replace the supervisor, texts related to the supervisor are removed accordingly.
Article 22	<p>Revision procedure</p> <p>The Company shall establish the Procedures according to the Regulations <del>and submit to the Supervisors and report to shareholders meeting for approval after passing of</del> Board of Directors, and the same to amendment. <del>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.</del></p> <p><del>After the position of Independent Director has been established in accordance with the provisions of SEA,</del> 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><del>After an Audit Committee has been established in accordance with the provisions of SEA,</del> 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</p> <p>The Company shall establish the Procedures according to the Regulations, <u>which shall be implemented after it is resolved by the Audit Committee and the</u> 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 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>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 <del>procedures</del> 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> <p>Contents below are omitted.</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) <u>Exceed the above amount authorized to the Chairman and other related derivative products <del>transaction</del></u>: they shall be subject to the resolution of <u>the Audit Committee and the Board of directors, as well as comply with Paragraph 4 and 5, Article 10 of these Procedures</u> before transaction.</p> <p>(4) For the <u>procedures</u> 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> <p>Contents below are omitted.</p>	The amendments are made according to the Company's operational needs.
Article 5	<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 <del>Supervisor</del>.</p> <p><del>Where independent directors have been appointed in accordance with the provisions of</del></p>	Article 5	<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, as well as the independent directors 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.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p><del>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.</del></p> <p><del>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.</del></p>			
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"> <li>1. The designated Chairman shall always pay attention to the supervision and control of risk of derivative product transaction.</li> <li>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 lernance.</li> </ol> <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"> <li>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.</li> </ol>	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"> <li>1. The designated Chairman shall always pay attention to the supervision and control of risk of derivative product transaction.</li> <li>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 lernance.</li> </ol> <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"> <li>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.</li> </ol>	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. <del>After the company has independent directors,</del> an independent director shall be present at the meeting and express an opinion.</p> <p>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 <u>during the discussion and resolution</u> at the board meeting and express an opinion.</p> <p>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, <del>supervisor</del> 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 <del>submit to the Supervisors</del> and report to shareholders meeting for approval <del>after</del> passing of Board of Directors, and the same to amendment. <del>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.</del> <del>After the position of Independent Director has</del></p>	Article 10	<p>Assessment Procedures The Company shall establish the Procedures according to the Regulations, which shall be <u>implemented after it is resolved by the Audit Committee and</u> 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.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p><del>been established</del>, 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. <del>After Audit Committee has been established in accordance with SEA,</del> 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	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. <del>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.</del>	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 <u>settled monthly or settled in a lump sum upon the due date.</u>	The amendments are made according to the Company's operational needs.
Article 6	Procedures for handling loans of funds 1. Application <del>and review</del> procedures When the borrower applies for borrowing funds from the Company, Financial Department as a <del>contact person, shall conduct an investigation and evaluation on the application with respect to the borrower's recent business operating and financial status,</del> 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 <del>credit and</del> 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.	Article 6	Procedures for handling loans of funds 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 <u>the Audit Committee</u> and the Board of Directors for approval and no	The amendments are made according to the Company's operational needs.

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 <del>paragraph</del>, 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 <del>paragraph</del>, 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. <u>The procedures shall comply with Paragraph 4 and 5, Article 14.</u></p> <p>(2) When fund lending to Subsidiaries is contemplated by the Company or its Subsidiary, <u>an approval from the Audit Committee</u> and the Board shall be <u>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>(3) 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>(4) 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	
	<p>2. Lending Notice After the approval of the loan case, the financial department shall promptly inform the borrower by letter or by telephone, <del>to describe</del> the loan conditions of the Company <del>in detail</del>, including the amount, term, interest rate, collateral and guarantor, etc., <del>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.</del></p> <p>3. Sign Confirmation For loan <del>release</del> cases, the financial department shall draw up the contract terms, <del>which shall then be audited by the competent department, and sent to the legal staff or legal counsel for review after approval,</del> and then apply for the signing process. <del>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.</del></p> <p>4. Acquisition of collateral and security (1) Where any collateral is needed in the loan <del>release</del> conditions, the borrower shall provide the collateral and the legal</p>		<p>2. Lending Notice 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> <p>3. Sign Confirmation For <u>fund loan</u> cases, the financial <u>and legal</u> department shall draw up the contract terms <u>according to approved terms</u>, 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> <p>4. Acquisition of collateral and security (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. <del>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.</del></p> <p><del>(3) The financial department shall inform the borrower to continue to buy the insurance before the expiry of the insured period.</del></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	
	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.		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	<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"> <li>1. Evaluation of the necessity and rationality of funds lending to other parties When <del>the borrower</del> applies to the Company for a loan, the Finance Department shall <del>investigate in advance the purpose of the fund and</del> evaluate the necessity and reasonableness of the lending funds.</li> <li>2. Credit and risk assessment of the lending parties (1) <del>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.</del></li> </ol>	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"> <li>1. Evaluation of the necessity and rationality of funds lending to other parties <u>After accepting</u> the application, the Company <u>shall</u> assess the necessity and rationality of <u>conducting</u> funds lending to other parties.</li> <li>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.</li> </ol>	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, <del>the financial department shall investigate and evaluate the business, financial status, solvency and credit, profitability and borrowing purposes of the loan, and prepare reports.</del></p> <p><del>(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.</del></p> <p><del>(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.</del></p> <p>3. Acquisition of collateral and the appraisal value of collateral  <del>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</del></p>		<p>3. Acquisition of collateral and the appraisal value of collateral  The Company <u>shall require the borrower to provide collateral</u> 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>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>the proposed mortgage.  <del>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.</del></p> <p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity</p> <p><del>(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.</del></p> <p><del>(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,</del></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 <u>method</u>, interest rate and the deadline, which shall be submitted to the general manager and the chairman for approval, and then submitted to <u>the Audit Committee and</u> 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	
	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	<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 <del>and relevant credit</del> conditions of the borrower and the guarantor shall be <del>regularly</del> 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	
	<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. <del>The Company may</del> make punishment and recourse against the offender as to the collateral or guarantor according to the law.</p>		<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 <u>the Audit Committee and the</u> 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"> <li>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.</li> <li>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: <ol style="list-style-type: none"> <li>(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.</li> <li>(2) The balance of loans by the company and its subsidiaries to a single enterprise</li> </ol> </li> </ol>	Article 10	<p>Information Disclosure</p> <ol style="list-style-type: none"> <li>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.</li> <li>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: <ol style="list-style-type: none"> <li>(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.</li> <li>(2) The balance of loans by the company and its subsidiaries to a single enterprise</li> </ol> </li> </ol>	Amendments to wordings.

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 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 <del>Item 3</del> of the preceding <del>subparagraph</del> 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 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 <del>each supervisor</del>.</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

Current Articles		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 <del>the supervisors</del> 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 <u>guidelines</u> 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  The Procedures shall be <del>submitted to the Supervisors</del> and report to shareholders meeting for approval <del>after</del> passing of Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall <del>submit the dissenting opinion to the Supervisors and</del> 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><del>After Audit Committee has been established in accordance with SEA,</del> 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  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.</p> <p>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><u>When the procedures are adopted or amended,</u> 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><del>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. —</del></p> <p><del>According the paragraph 5 of Article 13, for the supervisor's improvement program shall be given to the independent directors.</del></p> <p><del>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.</del></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 <del>and review</del> procedures</p> <p><del>(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.</del></p> <p><del>(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.</del></p> <p>2. Notice of endorsement/guarantee Omitted.</p>	Article 6	<p>Procedures for handling endorsement/guarantee</p> <p>1. Application procedures</p> <p>For <u>handling</u> endorsement/guarantee, the Company shall <u>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> <u>The financial department shall review whether the assessment is in compliance with handling standards prescribed by FSC and these Procedures;</u> 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 <u>Audit Committee and</u> board of directors' meeting for a complement ratification.</p> <p>2. Notice of endorsement/guarantee Omitted.</p>	The amendments are made according to the Company's operational needs.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>3. 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. <del>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.</del></p> <p><del>(3). The financial department shall inform the endorsement guarantor to continue to buy the insurance before the expiry of the insured period.</del></p> <p>Contents below are omitted.</p>		<p>3. 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. <u>The endorsed and guaranteed company shall provide and maintain an updated and valid insurance.</u></p> <p>Contents below are omitted.</p>	
Article 7	<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><del>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</del></p>	Article 7	<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.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>necessity and rationality of the endorsement and guarantee.</p> <p>2. Credit and risk assessment on endorsement/guarantee</p> <p>(1) <del>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.</del></p> <p>After accepting the application by <del>the Company</del>, the financial department shall investigate, evaluate and <del>issue reports</del> as to the purpose of the business, financial status and endorsement/guarantee purpose of the guaranteed object by.</p> <p>(2) <del>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.</del></p> <p>3. Acquisition of collateral and the appraisal value of collateral</p> <p>The Company shall request the guaranteed <del>entity</del> to provide <del>the promissory notes and the mortgage of personal property or real estate property as guarantee</del> and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p> <p><del>For the above creditor rights security, if the</del></p>		<p>2. Credit and risk assessment on endorsement/guarantee</p> <p>After accepting the application <u>by endorsed and guaranteed company</u>, 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 <u>company</u> to provide <u>collaterals</u> and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p><del>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.</del></p> <p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity</p> <p>(1) <del>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.</del></p> <p>(2) <del>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.</del></p> <p>(3) <del>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</del></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>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<del>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.</del>			
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 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 endorsements/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 <u>Audit Committee and Board of Directors' Meeting</u> 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 endorsements/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.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<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 assent 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><del>After establishing independent directors, the Company</del> 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.</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 assent 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 assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.</p>	
Article 13	<p>Audit</p> <p>Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written</p>	Article 13	<p>Audit</p> <p>Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written</p>	With regard to the establishment of an audit committee to replace the supervisor,

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	auditing reports. Should there be any violation found, a written report is needed to notify <del>each supervisor</del> .		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> .	texts related to the supervisor are removed accordingly.
Article 14	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 and submit the rectification plans <del>to all the supervisors</del> , and shall complete the rectification according to the timeframe set out in the plan.  Paragraph 6 omitted.	Article 14	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 and submit the rectification plans <u>to the Audit Committee, as well as each independent director in writing</u> , and shall complete the rectification according to the timeframe set out in the plan.  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	Implementation and Amendment The Procedures shall be <del>submitted to the Supervisors</del> and report to shareholders meeting for approval <del>after</del> passing of Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall <del>submit</del> the dissenting opinion <del>to the Supervisors and</del> 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. <del>After Audit Committee has been established in accordance with SEA,</del> When the Procedures	Article 15	Implementation and Amendment 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. 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.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>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>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.</p> <p><del>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.</del></p> <p><del>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.</del></p>		<p>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>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.</p>	