

PHISON



Stock code:8299

Phison Electronics Corporation

Handbook for 2022 Annual General Meeting of Shareholders

Convention Method : Physical shareholders meeting

Meeting time : May 24, 2022

Venue : No.1, Qunyi Road, Zhunan Township, Miaoli County
(located in Guanyuan Science and Technology Park)

Notice to Readers

For the convenience of readers, the Handbook for the 2022 Annual General Shareholders' Meeting have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version of the Handbook for the 2022 Annual General Shareholders' Meeting shall prevail.

Table of Contents

	Page
I. Meeting Procedure	1
II. Meeting Agenda.....	2
III. Matters to Report.....	4
IV. Proposals.....	8
V. Election	10
VI. Discussions.....	11
VII. Extraordinary Motions.....	17
VIII. Attachments	
[Attachment 1] 2021 Business Report	18
[Attachment 2] 2021 Audit Committee's Review Report	25
[Attachment 3] 2021 Investment in the Mainland	26
[Attachment 4] 2021 Annual Financial Statements	28
[Attachment 5] Comparison Tables for Amendments to “Articles of Association”	47
[Attachment 6] Comparison Tables for Amendments to “Rules of Procedure for Shareholders’ Meeting”	51
[Attachment 7] Comparison Tables for Amendments to “Procedures for Acquisition or Disposal of Assets”, “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee”	63
IX. Appendices	
[Appendix 1] Rules of Procedure for Shareholders’ Meeting	84
[Appendix 2] Procedures of Election of Directors.....	89
[Appendix 3] Articles of Association.....	92
[Appendix 4] “Procedures for Acquisition or Disposal of Assets”, “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee” (Before Amendment).....	99
[Appendix 5] The Company's Directors' Shareholding	132
[Appendix 6] The Effect of Dividend Distributions on the Company's Operating Performance, Earnings per Share and Return on Equity.....	132

Phison Electronics Corporation
Meeting Procedure of 2022 Annual General Meeting of
Shareholders

I. Meeting Procedure

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

Phison Electronics Corporation Agendas of 2022 Annual General Meeting of Shareholders

II. Meeting Agenda

Convention Method: Physical meeting

Meeting time: 9 a.m., Tuesday, May 24, 2022

Venue: No. 1 Qunyi Road, Zhunan Township, Miaoli County
(located in Guangyuan Technology Park)

Meeting chairman: Mr. Wee Kuan Gan, Chairman of the Board

1. Meeting Chairman's Remarks

2. Matters to Report

Case No. 1: The Company's 2021 business report.

Case No. 2: Report on Audit Committee's Review Report of 2021 Financial Statements.

Case No. 3: Report on 2021 Employees' and Directors' Remuneration Distribution.

Case No. 4: Report on the Company's surplus earning distribution in the form of cash dividends of 2021.

Case No. 5: Report on the implementation of the First Domestic Unsecured Convertible Corporate Bonds of the Company.

Case No. 6: Report on the actual handling situation of 2021 general shareholders' meeting's resolution on private placement of common shares.

Case No. 7: Report of the Company's Investment in the Mainland.

3. Proposals

Case No. 1: The Company's 2021 Business Report and Financial Statements.

Case No. 2: The Company's 2021 profit distribution.

4. Election

Case No. 1: Proposal of by-election of one director of the Company.

5. Discussions

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

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

Case No. 3: Amendment to part of the "Rules of Procedure for Shareholders' Meeting" of the Company.

Case No. 4: Amendment to part of the "Procedures for Acquisition or Disposal of Assets", "Procedures for Lending Funds to Other Parties", "Procedures for Endorsement and Guarantee" of the Company.

6. Extraordinary Motions

7. Adjournment

III. Matters to Report

Case No. 1: (Proposed by the Board)

Note: The Company's 2021 business report.

Explanation: For the Company's 2021 business report, please refer to Attachment 1 on page 18 to 24 of this handbook.

Case No. 2: (Proposed by the Board)

Note: Report on Audit Committee's Review Report of 2021 Financial Statements.

Explanation: For the Audit Committee's Review Report of 2021 Financial Statements, please refer to Attachment 2 on page 25 of this handbook.

Case No. 3: (Proposed by the Board)

Note: Report on 2021 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 compensations".

2. In the year of 2021, the Company earned NT\$10,738,640,954 (the amount represents the pre-tax profit before deducting of employees' and directors' remuneration), and it intends to distribute NT\$1,100,000,000 from 2021's profits for employees' compensation (about 10.24% of the profits for the year 2021) and NT\$50,000,000 for directors (about 0.47% of the profits for the year 2021), all in cash.

Case No. 4: (Proposed by the Board)

Note: Report on the Company's surplus earning distribution in the form of cash dividends of 2021.

Explanation: Pursuant to the Company Act and the Articles of Association of the Company, the surplus earning distribution of the Company may be proposed at the close of each half fiscal year. If the surplus earning distribution is distributed in cash, the Board of Directors is authorized to adopt a resolution to distribute the surplus earning. The implementation of the Company's surplus earning distribution in the form of cash dividends of 2021:

2021	Date of the resolution of the Board (YYYY/MM/DD)	Date of distribution (YYYY/MM/DD)	Cash dividend per share (NTD)	Total amount of cash dividend (NTD)
H1	2021/08/06	2022/01/20	10	1,970,739,930
H2	2021/03/04	Not yet decided	13 (Note)	2,561,961,909
Total			23	4,532,701,839

Note: Based on the Company's actual total number of 197,073,993 outstanding shares as of March 4, 2022, and the proposed cash dividend per share is NT\$13. The actual amount of cash dividends to be distributed per share will be calculated based on the actual total number of shares in circulation on the ex-dividend date, and will be distributed in accordance with the shares held by the shareholders listed in the shareholders' register on the ex-dividend 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.

Case No. 5: (Proposed by the Board)

Note: Report on the implementation of the First Domestic Unsecured Convertible Corporate Bonds of the Company.

Explanation: 1. Due to the demands of the Company's operation and development, in order to purchase real estate, plant and equipment, and to enrich the working capital to improve the ability to allocate funds, the Board of Directors approved the issuance of the first domestic unsecured convertible corporate bonds on August 6, 2021. The cap of the total amount of face value issued is NT\$3.5 billion. The Financial Supervisory Commission issued the official letter of Jin Guan Zheng Fa Zi No. 1100356577, which proclaimed the

effectiveness of the registration of the said bonds on September 8, 2021, and they were approved by the Taipei Exchange on December 13, 2021 with the official letter of Zheng Gui Zhai Zi No. 11000139182. The bonds have been issued and traded in the Taipei Exchange since December 17, 2021.

2. The circumstances of implementation of the First Domestic Unsecured Convertible Corporate Bonds of the Company are as follows:

Name	Phison Electronics Corporation First Domestic Unsecured Convertible Corporate Bonds
Date of approval	September 8, 2021
Date of issuance	December 17, 2021
Total amount of issuance	NT\$3,500,000,000
Par value of issuance	NT\$100,000
Price of issuance	NT\$100,500
Duration of issuance	From December 17, 2021 to December 17, 2024
Coupon rate	0.00%
Repayment method	Unless the holder of the convertible corporate bonds has converted the bonds into the common stock of the Company in accordance with Article 10 of the Regulations for the Issuance and Conversion of the First Domestic Unsecured Convertible Corporate Bonds, or the Company has redeemed the bonds in advance in accordance with Article 18 of the aforementioned Regulation, or the Company has repurchased and canceled the convertible corporate bonds at the business offices of securities firms, the Company shall repay the convertible corporate bonds in cash in one lump sum according to the face value of the bonds upon maturity. The payment will be made in ten business days (including the tenth business day) after the date of maturity.
Implementation of corporate bonds as of the book closure date (March 26, 2022) Conversion of this convertible corporate bond	Not applicable

Case No. 6 (Proposed by the Board)

Note: Report on the actual handling situation of 2021 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 2021 general shareholders' meeting on July 26, 2021, and resolution was granted to proceed one or two times within one year from the date of the resolution of the general shareholders' meeting. The board of directors decided that this private placement of common shares would no longer be conducted as the expiration date was approaching and the abovementioned private placement of common shares has not yet been issued, and there is no plan to proceed with the private placement of common shares in the remaining time period.

Case No. 7 (Proposed by the Board)

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

Explanation: Please refer to Attachment 3 on page 26 to 27 of this handbook for information on the Company's investment in the Mainland in 2021.

IV. Proposals

Case No. 1 (Proposed by the Board)

Note: The Company's 2021 Business Report and Financial Statements.

Explanation: 1. The Individual Financial Statements of the Company for the year of 2021 (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, Ms. Qian-Hui Lu and Mr. Wan-Yuan Yu, of KPMG and Audit Committee. Please refer to the aforementioned Financial Statements and Independent Auditor's Report together with the Business Report.

2. For the 2021 Business Report, Individual Financial Statements and Consolidated Financial Statements, please refer to Attachment 1 on page 18 to 24 and Attachment 4 on page 28 to 46, of this handbook respectively.

Resolution:

Case No. 2 (Proposed by the Board)

Note: The Company's 2021 profit distribution.

Explanation: 1. The net profit after tax in 2021 was NT\$8,147,215,035. The company prepared a statement of profit distribution for the year ended December 31, 2021, in accordance with the Article of Incorporation of the company as follow:

Phison Electronics Corporation
PROFIT DISTRIBUTION TABLE
Year 2021

(Unit: NT\$)

Item	Amount
Retained earnings at the beginning of the period	16,891,095,194
Net profit after tax of of Year 2021	8,147,215,035
Less: Change in re-measurement of defined benefit plans in Year 2021	282,736
Add: Disposal of equity instruments at fair value through other comprehensive income	11,571,968
Less: Changes in the Investments accounted for using the equity method	422,983,336
The total of, the net profit after tax of the period plus the else items of the period be included in the undistributed earnings.	7,735,520,931
Less: 10% Legal Reserve	773,552,093
Reserved for first half of 2021	355,551,020
The balance of Legal Reserve	418,001,073
Add: Reversal of Special Reserve based on regulations	165,341,098
Reversal for first half of 2021	9,773,030
The balance of reversal	155,568,068
Distributed earnings as of December 31, 2021	24,018,405,130
Distributable items:	
Dividend to shareholders-Cash (Distributed NT\$23 per share)	4,532,701,839
First cash dividends distributed of the year (NT\$10 per share)	1,970,739,930
Second cash dividends distribution (NT\$13 per share)	2,561,961,909
Unappropriated retained earnings by the end of the period.	19,485,703,291

Note: : Based on the Company's actual total number of 197,073,993 outstanding shares as of March 4, 2022, and the proposed cash dividend per share is NT\$13. The actual amount of cash dividends to be distributed per share will be calculated based on the actual total number of shares in circulation on the ex-dividend date.

Chairman :

Manager :

Accounting Supervisor :

Resolution:

V. Election

Case No. 1 (Proposed by the Board)

Note: Proposal of by-election of one director of the Company.

Explanation:1. Mr. Khein Seng Pua resigned as a director of the Company; thus, it is proposed to the 2022 Annual Shareholders' Meeting that by-election of a director shall be held. The newly elected director will assume office after the end of the annual shareholders' meeting, and the term of office will expire on June 2, 2023, when the term of office of this Board will end.

2. The candidate nomination system is adopted by the Company for election of the directors of the Company, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. Please refer to the following table for the roster of director candidates.

Name (Gender)	Education	Major Past Positions	Current Positions
Cheng Shuo Investment Limited Representative : Chih Jen Hsu (M)	Department of Information and Computer Science, Chung Yuan Christian University	Assistant Manager of Winbond Electronics Corporation Founder of Phison Electronics Corporation Vice Technical President of Phison Electronics Corporation	Vice Technical President of Phison Electronics Corporation

3. Please proceed with the election.

Election result:

VI. 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) There is no significant change in managerial control within the 1 year period immediately preceding the day on which the board of directors resolves on this private placement plan. And limiting the subscribers to strategic investors will have a positive contribution to the Company's business development. Additionally, from the involvement of strategic investor by way of this private placement to within one year from the delivery date of the private placement common shares will not cause significant changes in the operating rights.

(5) Other matters that should be stated:

A Regarding the private placement of common shares of this fiscal year, the rights and obligations are in principle the same as the common shares issued by the Company, but

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

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

Resolution:

Case No. 2 (Proposed by the Board)

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

Explanation: 1. In order to meet the amended of "Company Act", the Company would amend the Articles 9 and Articles 21 of the "Articles of Association".

2. Please refer to Attachment 5 on page 47 to 50 of this handbook of amendment comparison table for the "Articles of Association".

Resolution:

Case No. 3 (Proposed by the Board)

Note: Amendment to part of the "Rules of Procedure for Shareholders' Meeting" of the Company.

Explanation: 1. Shall be handled in accordance with Article 182-1, Paragraph 2 of the Company Act.

2. Due to the amendment of Article 172-2 of the Company Act, public companies may hold shareholders' meetings by video. On March 4, 2022, the Financial Supervisory Commission issued amendments to the relevant provisions of "Regulations Governing the Administration of Shareholder Services of Public Companies", adding the relevant regulations for video conferences of shareholders' meetings. In order to meet the needs of the digital era and provide a channel for shareholders to facilitate their participation in shareholders' meetings, please refer to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" amended and announced in the Zheng-Gui-Jian-Zi No. 11100543771 issued by Taipei Exchange on March 11, 2022, to amend the relevant provisions of the Rules of Procedure for Shareholders' Meeting of the Company.
3. Please refer to Attachment 6 on page 51 to 62 of the handbook for the comparison table for the "Rules of Procedure for Shareholders Meeting".

Resolution:

Case No. 4 (Proposed by the Board)

Note: Amendment to part of the “Procedures for Acquisition or Disposal of Assets”, “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee” of the Company.

Explanation: 1. According the “Regulations Governing the Acquisition and Disposal of Assets 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 Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee”.

2. Please refer to Attachment 7 on page 63 to 83 of this handbook of amendment comparison table for the “Procedures for Acquisition or Disposal of Assets”, “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee”.

Resolution:

VII. Extraordinary Motions

VIII. Attachments

PHISON Electronics Corporation

2021 Business Report

1. Operating Strategy and Execution Overview :

In 2021, the global economic continued to be changed and adjusted for COVID-19 epidemic and Taiwan was same in aware. Also, the problem of lack of materials and parts still stick 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 2021. Thanks to the unremitting efforts of all Phison people, the combined total revenue for 2021 is approximately NT\$62.56 billion, the combined after-tax surplus is approximately NT\$8.15 billion, and the after-tax EPS is NT\$41.34.

In 2021, the company's overall shipments of SSD products and embedded memory related controllers and finished products accounted for 60% of the company's overall shipment, an increase of approximately 44% from the previous year. Phison is actively developing advanced UFS and PCIe SSD controllers to become the best choice for next-generation high-performance embedded and customized 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, in order to meet the demand for NAND storage applications that are highly enhanced by the popularity of 5G wireless transmission.

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 and the industry leading high-end PCIe Gen4x4 NVMe SSD controllers, to build a total solution for PCIe SSD controllers. 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 R&D center in Colorado, USA has continued to explore the functions to collaborate with our partners for products development and verification 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 UFS3.2, especially with Phison's own technology, including StrongECC™, advance LDPC, CoXProcessor™ 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-definition analysis image application market. In terms of USB series products, Phison launched USB origin NAND controllers with USB 3.2 requirements for the needs of high-capacity portable storage applications.

Looking forward to 2022, 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 and continue to develop and launch PCIe Gen5 SSD controller, 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. 2021 Business Results

(1) Description of business results:

① Consolidated operating revenue:

The consolidated net operating revenue of the company for the year 2021 was NT\$62,557,192 thousand, which was an increase of 28.99% compared with the year of 2020 of NT\$48,496,522 thousand.

② Consolidated net profit after tax:

The consolidated net profit after tax of the company for the year 2021 was NT\$8,147,215 thousand, which was a decrease of 6.43% compared with the year of 2020 of NT\$8,706,751 thousand.

(2) Budget implementation: The Company did not disclose its financial forecasts of the year of 2021, 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	2021	2020	Increases (decreases)	Proportion of the changes (%)
Operating revenue	62,557,192	48,496,522	14,060,670	28.99
Gross profit	19,099,784	12,247,475	6,852,309	55.95
Net Operating Income	9,084,449	3,889,607	5,194,841	133.56
Non-operating income and expenses	653,165	5,803,822	(5,150,657)	(88.75)
Net profit after tax	8,147,215	8,706,751	(559,536)	(6.43)

② Financial profitability of consolidated operation

Item		2021	2020
Financial structure	Liability to asset ratio (%)	40.80	26.09
	Long-term asset to real estate, plant and equipment ratio (%)	619.41	770.49
Debt-paying ability	Current ratio (%)	227.68	317.33
	Quick ratio (%)	138.25	230.49
	Interest coverage ratio (times)	513.34	1,889.82
Operation performance	Receivables turnover ratio (times)	8.48	8.12
	Average days of receipt (days)	43.04	44.95
	Inventory turnover ratio (times)	2.93	3.34
	Average sales days (days)	124.57	109.28
	Payables turnover ratio (times)	6.95	10.21
	PP&E turnover ratio (times)	11.07	12.23
	Total asset turnover ratio (times)	1.13	1.13
Profitability	Return on assets (%)	14.76	20.21
	Return on equity attributable to owners of parent company (%)	22.49	27.06
	Ratio of operating income to paid-in capital (%)	460.97	197.37
	Ratio of pre-tax income to paid-in capital (%)	494.11	491.87
	Net income ratio (%)	13.02	17.95
	Basic earnings per share (NTD)	41.34	44.14
Cash flow	Cash flow ratio (%)	23.35	56.13
	Cash flow adequacy ratio (%)	56.80	87.99
	Cash re-investment ratio (%)	1.33	10.94
Leverage	Degree of operating leverage (DOL)	1.09	1.15
	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 2021 and 2020 were NT\$8,127,841 thousand and NT\$6,752,676 thousand respectively, which accounted for 12.99% and 13.92% of the consolidated operating revenue respectively. As of fiscal year 2021, the company has obtained 1,821 patent approvals from various countries.

② R & D results:

The following products have been successfully developed and launched in 2021, including:

- a. PS3117-S17T SATA III SSD controller is a DRAM_less version with a maximum support capacity of 4TB, which will meet the upgrade requirements of the PC DIY market.
- b. PS5015-E15T is a PCIe Gen3 DRAM_less SSD controller with a maximum speed of 3300MB/s. The design of DRAM_less will also bring consumers a cost-effective experience.
- c. PS5021-E21T PCIe Gen4 SSD controller, with a maximum support capacity of 4TB and a performance of 4800MB/s, is a product that meets the mainstream PC and mobile device markets.
- d. The PS5017 SD card controller (complies with SD Express specification) not only meets the high-definition resolution of the pluggable storage application environment, but also brings a better experience for content creators.
- e. The new-generation eMMC PS8232 controller is a low-power design, bringing an excellent power-saving experience to mobile devices and embedded systems.
- f. The new-generation UFS 2.2/3.1 controller equipped with 12nm process not only supports the latest NAND technology, but also provides new ultra-high-speed performance for high-end portable devices to meet the trend of 5G wireless transmission.
- g. Developed a high-capacity USB3.2 Gen2x2 PS2251-18 controller that supports high-speed random write to meet the massive data transmission needs of the high-resolution audio and video market such as content creators.
- h. Launched the FIPS-compliant USB controller PS2251-15 to meet the encryption demand market driven by digital transformation.
- i. For more advanced process, developed next-generation PCIe PHY, and continue to deploy IP licensing field.

- j. Developed a new generation of error correction modules to support high-layer 3D TLC/QLC and next-generation PLC NAND flash memory.
 - k. Developed smaller controller solutions with higher capacity support and more power efficiency, including eMMC, UFS, and BGA SSDs that meet the automotive storage market, as well as meet the high-speed storage needs of mobile devices.
 - l. Developed controllers that meet automotive specifications and passed various automotive regulatory certifications, including AEC-Q100, ISO26262, IATF16949, ASPICE, etc., to meet the needs of the automotive electronics market.
- 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 2022 as follows:
- a. The PS5025-E25 controller is a PCIe Gen4 SSD with an external DRAM design and a maximum performance of 7200MB/s, which is the best choice for extremely fast gamers.
 - b. The PS5020-E20 PCIe Gen4 enterprise SSD controller will have a maximum support capacity of 32TB and support special functions in enterprise-grade applications. It will be the most suitable choice for server system integrators.
 - c. The performance of new gen. PS5026-E26 PCIe Gen5 SSD controller will reach 13000MB/s, and it will be a flagship product in the PC market.
 - d. Continue to develop high-end enterprise-class SSD, support higher capacity, higher speed and strengthen interface protection mechanism, and cooperate with strategic partners to jointly develop to meet the needs of enterprise-class storage market.
 - e. Continue to develop smaller, higher-capacity and more power-saving controller solutions, including eMMC, UFS, and BGA SSDs that meet the automotive storage market, as well as meet the high-speed storage needs of future mobile devices.
 - f. Continue to develop controllers that meet the automotive specifications, and continue to strengthen the certification of various automotive regulations, such as higher specifications of AEC-Q100, ISO26262, IATF16949, ASPICE, etc., to meet the rising demand for automotive electronics.

Phison Electronics Corp.

Wee Kuan Gan, Chairman

Chee Kong Aw Yong, President

Pao Feng Chen, Accounting Director

Audit Committee's Review Report

The board of directors prepared the Company's 2021 Business Report, Financial Statements and profit distribution, etc. The CPA firm of KPMG audited the Financial Statements and have issued an audit report. Above Business Reports, Financial Statements and profit distribution were audited by Audit Committee and found no discrepancy, as reported in accordance with the Securities and Exchange Act and Company Act, please check.

To

2022 Annual General Meeting of Shareholders

Phison Electronics Corp.

Audit Committee Convener :

Wen Chiu Chung

March 4, 2022

Phison Electronics Corp. and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2021

Table 8

(Amounts in Thousands)

(1) The names of investees in Mainland China, the main businesses and products, and other information

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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee	Percentage of Ownership	Highest percentage of ownership during the year	Investment Income (Losses) (Note 2)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2021	Note
					Outflow	Inflow								
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of electronic product and technical support service and rendering of related services	-	2(2)	630,990	-	-	630,990	-	-	24.41%	(5,182)	-	-	Note 3
Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services	182,825	2(1)	182,825	-	-	182,825	(23,107)	100.00%	100.00%	(23,107)	145,593	-	Note 5
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services	735,136	2(1)	-	-	-	-	(95,225)	24.23%	24.23%	(23,075)	135,887	-	

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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee	Percentage of Ownership during the year	Highest percentage of ownership during the year	Investment Income (Losses) (Note 2)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2021	Note
					Outflow	Inflow								
Hosm Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,647,590	2(1) and 2(2)	442,780	-	-	442,780	592,721	42.63%	44.35%	267,210	3,402,515	-	

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
1,256,595	1,336,236	22,385,060

Note 1: Method of investment.

1. Direct investment in the company in Mainland China.
2. Indirect investment in Mainland China through an existing investee company in a third region.
 - (1) Indirect investment in Mainland China through an existing investee company (Regis Investment (Samoa) Limited) in a third region.
 - (2) Indirect investment in Mainland China through an existing investee company (Global Flash Limited) in a third region

Note 2: The financial statements were audited by the Company's accountants based on the materiality standards and recognized shares of the associates accounted for using the equity method.

Note 3: Please refer to consolidated financial statements note 6(8) for related transactions.

Note 4: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth.

Note 5: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.



安侯建業聯合會計師事務所
KPMG

新竹市300091新竹科學園區展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu City 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955
傳真 Fax + 886 3 563 2277
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Phison Electronics Corp.:

Opinion

We have audited the parent company only financial statements of Phison Electronics Corp.(“the Company”), which comprise the parent company only balance sheets as of December 31, 2021, the parent company only statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021, and its parent company only financial performance and its parent company only 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 Certification of Financial Statements by Certified Public Accountants and the 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 parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to Note 4(14) “Summary of significant accounting policies—Revenue recognition” , Note 6(20) “Description of significant accounts—Operating revenue” to the parent company only financial statements.

Description of key audit matter:

The Company engaged primarily in the sale of flash memory controllers and peripheral system applications. Revenue is recognized depending on the various trade terms agreed with customers. Whether the Company recognizes revenue depending on the trade term in each individual sale contract to ensure the performance obligation has been satisfied by transferring control over a product to a customer is considered to be complex. In addition, the Company operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas that our audit focused on.



How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing internal controls over sales and collection cycle; understanding the Company’ s main revenue types, its related sales agreements, and trade terms; on a sample basis, inspecting related sales contracts or sales order and other trade documents to assess whether the timing of revenue recognition was depending on the trade term agreed with customers; performing a sample test on sales transaction that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition; and assessing the adequacy of the Company’ s disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to Note 4(7) “Summary of significant accounting policies—Inventories” , Note 5 “Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty” , and Note 6(6) “Description of significant accounts—Inventories” to the parent company only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environment in the industry of the Company, the life cycles of products of the Company are short and the prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the aging report of inventory and analyzing the fluctuation of inventory aging; on a sample basis, verifying the accuracy of the net realizable value of inventories and the inventory aging report; assessing the historical reasonableness of management’ s estimates on inventory provisions; and evaluating whether valuation of inventories was accounted in accordance with the Company’ s accounting policies and assessing the adequacy of the Company’ s disclosures of its policy and other related disclosures.

Other Matter

Predecessor auditor issued the audit opinion with other matters paragraph

The parent company only financial statements of the Company as of and for the year ended December 31, 2020 were audited by another auditor, who have issued an unmodified opinion with emphasis of matter paragraph on March 11, 2021.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’ 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 Company 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 Company’ s financial reporting process.



Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with 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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 the investment in other entities accounted for using the equity method to express an opinion on this 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 parent company only financial statements of the current period 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 audit resulting in this independent auditors' report are Chien Hui Lu and Wan Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(20) and 7)	\$ 62,552,823	100	48,350,427	100
5000	Operating costs (notes 6(6), (8), (15), (21) and 7)	<u>43,504,064</u>	<u>70</u>	<u>36,191,425</u>	<u>75</u>
	Gross profit from operations	19,048,759	30	12,159,002	25
5910	Unrealized profit on transactions with associates	<u>(54,596)</u>	<u>-</u>	<u>(4,069)</u>	<u>-</u>
	Realized gross profit	<u>18,994,163</u>	<u>30</u>	<u>12,154,933</u>	<u>25</u>
	Operating expenses (notes 6(8), (15), (21) and 7):				
6100	Marketing expenses	1,045,844	2	879,042	2
6200	General and administrative expenses	779,391	1	719,547	1
6300	Research and development expenses	8,128,771	13	6,763,563	14
6450	Expected credit loss (gain) (note 6(5))	<u>6,600</u>	<u>-</u>	<u>(56,269)</u>	<u>-</u>
	Total operating expenses	<u>9,960,606</u>	<u>16</u>	<u>8,305,883</u>	<u>17</u>
	Net operating income	<u>9,033,557</u>	<u>14</u>	<u>3,849,050</u>	<u>8</u>
	Non-operating income and expenses:				
7010	Other income (notes 6(22) and 7)	93,092	-	119,952	-
7020	Other gains and losses (note 6(22))	152,293	-	614,931	1
7050	Finance costs (note 6(22))	<u>(15,359)</u>	<u>-</u>	<u>(3,156)</u>	<u>-</u>
7100	Interest income (note 6(22))	27,869	-	31,699	-
7060	Shares of profit of subsidiaries and associates accounted for using the equity method (note 6(7))	<u>297,189</u>	<u>1</u>	<u>4,691,780</u>	<u>10</u>
		<u>555,084</u>	<u>1</u>	<u>5,455,206</u>	<u>11</u>
7900	Profit before tax	9,588,641	15	9,304,256	19
7950	Income tax expenses (note 6(16))	<u>1,441,426</u>	<u>2</u>	<u>605,212</u>	<u>1</u>
8200	Net profit for the year	<u>8,147,215</u>	<u>13</u>	<u>8,699,044</u>	<u>18</u>
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(354)	-	(7,434)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(23))	134,692	-	(15,345)	-
8330	Shares of other comprehensive income of subsidiaries and associates accounted for using the equity method	251,977	-	(31,905)	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(16))	<u>71</u>	<u>-</u>	<u>1,487</u>	<u>-</u>
	Total items that will not be reclassified subsequently to profit or loss	<u>386,386</u>	<u>-</u>	<u>(53,197)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(106,472)	-	106,038	-
8399	Income tax related to items that may be reclassified subsequently (note 6(16))	<u>-</u>	<u>-</u>	<u>(30,630)</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(106,472)</u>	<u>-</u>	<u>75,408</u>	<u>-</u>
8300	Other comprehensive income	<u>279,914</u>	<u>-</u>	<u>22,211</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 8,427,129</u>	<u>13</u>	<u>8,721,255</u>	<u>18</u>
	Earnings per share (New Taiwan Dollars) (note 6(19)):				
9750	Basic earnings per share	<u>\$ 41.34</u>		<u>44.14</u>	
9850	Diluted earnings per share	<u>\$ 40.09</u>		<u>43.01</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Total other equity interest							
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Uncanceled gains (losses) on financial assets measured at fair value through other comprehensive income	Total equity
Balance at January 1, 2020	\$ 1,970,740	6,724,104	3,850,715	380,927	16,411,959	20,643,601	(112,499)	29,162,320
Net profit for the year	-	-	-	-	8,699,044	8,699,044	-	8,699,044
Other comprehensive income (loss) for the year	-	-	-	-	(5,947)	(5,947)	(47,250)	28,158
Total comprehensive income (loss) for the year	-	-	-	-	8,693,097	8,693,097	(47,250)	28,158
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	455,816	-	(455,816)	-	-	-
Cash dividends of ordinary share	-	-	-	(204,802)	(2,561,962)	-	-	(2,561,962)
Reversal of special reserve	-	(335,315)	-	-	(28,215)	(28,215)	-	(363,530)
Changes in equity of associates accounted for using the equity method	-	(426)	-	-	-	-	-	(426)
Share-based payments	-	1,978,10	-	-	-	-	-	1,978,10
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,374	17,374	(17,374)	-
Balance at December 31, 2020	1,970,740	6,586,173	4,306,531	176,125	22,281,239	26,763,895	(37,091)	35,155,467
Net profit for the year	-	-	-	-	8,147,215	8,147,215	-	8,147,215
Other comprehensive income (loss) for the year	-	-	-	-	(283)	(283)	(106,472)	279,914
Total comprehensive income (loss) for the year	-	-	-	-	8,146,932	8,146,932	(106,472)	280,197
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	1,223,777	-	(1,223,777)	-	-	-
Cash dividends of ordinary share	-	-	-	(20,557)	(6,503,442)	(6,503,442)	-	(6,503,442)
Reversal of special reserve	-	-	-	-	(422,983)	(422,983)	-	(154,458)
Changes in equity of associates accounted for using the equity method	-	268,525	-	-	-	-	-	281,369
Share-based payments	-	281,369	-	-	-	-	-	102,369
Due to recognition of equity component of convertible bonds	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	11,572	11,572	(11,572)	-
Balance at December 31, 2021	\$ 1,970,740	7,238,436	5,530,308	155,568	22,310,098	27,995,974	(143,563)	37,308,434

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 9,588,641	9,304,256
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	396,316	340,969
Amortization expense	270,812	200,124
Expected credit loss (reversal gain)	6,600	(56,269)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(239,154)	27,217
Financial costs	15,359	3,156
Interest income	(27,869)	(31,699)
Dividend income	(61,691)	(82,471)
Share-based payments	278,593	195,970
Shares of profit of subsidiaries and associates accounted for using the equity method	(297,189)	(4,691,780)
Loss on disposal of property, plant and equipment	-	2,218
Gain on disposal of investments accounted for using the equity method	-	(961,153)
Unrealized profit on transactions with associates	54,596	4,069
Unrealized foreign exchange loss (gain)	(63,048)	102,380
Write-down of inventories	135,858	196,619
Recognition of refund liabilities	555,242	261,975
Gains on modification of lease	(6)	(468)
Total adjustments to reconcile profit (loss)	1,024,419	(4,489,143)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(2,748,924)	(89,098)
Other receivables	(264,803)	133,214
Inventories	(9,490,109)	1,110,247
Prepayments	24,708	220,899
Other current assets	30,951	(30,306)
Contract liabilities	167,491	(95,062)
Accounts payable (including related parties)	5,655,017	(133,668)
Other payable	1,788,741	1,936,510
Other current liabilities	(108,676)	(183,825)
Net defined benefit liability	1,015	1,149
Total changes in operating assets and liabilities	(4,944,589)	2,870,060
Cash inflow generated from operations	5,668,471	7,685,173
Interest paid	(14,350)	(2,657)
Income taxes paid	(590,006)	(875,411)
Net cash flows from operating activities	5,064,115	6,807,105

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Phison Electronics Corp.

Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(105,005)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	246
Acquisition of financial assets at amortized cost	(3,652,682)	(293,860)
Proceeds from disposal of financial assets at amortized cost	3,407,878	20,383
Acquisition of financial assets at fair value through profit or loss	-	(2,150,000)
Proceeds from disposal of financial assets at fair value through profit or loss	4,337,537	92,379
Proceeds from capital reduction of financial assets at fair value through profit and loss	21,450	19,140
Acquisition of investments accounted for using the equity method	(44,750)	(967,452)
Net cash inflow on disposal of associates	-	1,776,295
Proceeds from capital reduction of investments accounted for using the equity method	54,457	495,011
Acquisition of property, plant and equipment	(2,286,464)	(1,000,105)
Increase in refundable deposits	(515,401)	(6,039)
Acquisition of intangible assets	(272,454)	(243,054)
Increase in prepayments for equipment	(53,197)	(23,461)
Interest received	28,427	31,525
Dividends received	1,783,503	396,908
Net cash flows from (used in) investing activities	2,703,299	(1,852,084)
Cash flows from financing activities:		
Increase in short-term loans	7,732,390	4,032,516
Decrease in short-term loans	(8,808,888)	(2,573,023)
Proceeds from issuing bonds (excluding issuance costs)	3,511,309	-
Increase in guarantee deposits received	141	94
Payment of lease liabilities	(21,098)	(16,720)
Cash dividends paid	(4,532,702)	(2,561,962)
Net cash flows used in financing activities	(2,118,848)	(1,119,095)
Effect of exchange rate changes on cash and cash equivalents	23,458	(108,797)
Net increase in cash and cash equivalents	5,672,024	3,727,129
Cash and cash equivalents at beginning of period	12,003,683	8,276,554
Cash and cash equivalents at end of period	\$ 17,675,707	12,003,683

See accompanying notes to parent company only financial statements.

Representation Letter

The entities that are required to be included in the combined financial statements of Phison Electronics Corp. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Phison Electronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Phison Electronics Corp.
Chairman: Wee-Kuan Gan
Date: March 4, 2022



安侯建業聯合會計師事務所
KPMG

新竹市300091新竹科學園區展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu City 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955
傳真 Fax + 886 3 563 2277
網址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Phison Electronics Corp.:

Opinion

We have audited the consolidated financial statements of Phison Electronics Corp. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and 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, 2021, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") and the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to Note 4(14) "Summary of significant accounting policies—Revenue recognition" , Note 6(23) "Description of significant accounts—Operating revenue" to the consolidated financial statements.



Description of key audit matter:

The Group engaged primarily in the sale of flash memory controllers and peripheral system applications. Revenue is recognized depending on the various trade terms agreed with customers. Whether the Group recognizes revenue depending on the trade term in each individual sale contract to ensure the performance obligation has been satisfied by transferring control over a product to a customer is considered to be complex. In addition, the Group operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing internal controls over sales and collection cycle; understanding the Group's main revenue types, its related sales agreements, and trade terms; on a sample basis, inspecting related sales contracts or sales order and other trade documents to assess whether the timing of revenue recognition was depending on the trade term agreed with customers; performing a sample test on sales transaction that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition; and assessing the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to Note 4(8) "Summary of significant accounting policies—Inventories", Note 5 "Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty", and Note 6(6) "Description of significant accounts—Inventories" to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environment in the industry of the Group, the life cycles of products of the Group are short and the prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the aging report of inventory and analyzing the fluctuation of inventory aging; on a sample basis, verifying the accuracy of the net realizable value of inventories and the inventory aging report; assessing the historical reasonableness of management's estimates on inventory provisions; and evaluating whether valuation of inventories was accounted in accordance with the Group's accounting policies and assessing the adequacy of the Group's disclosures of its policy and other related disclosures.

Other Matter

1. Issuing the audit opinion on the parent company only financial statements

Phison Electronics Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020. We have issued an unmodified opinion with other matter paragraph on as of and for the year ended December 31, 2021. The predecessor auditor has issued an unmodified opinion with emphasis of matter paragraph as of and for the year ended December 31, 2020.

2. Predecessor auditor issued the audit opinion with other matters paragraph

The consolidated financial statements of the Group as of and for the year ended December 31, 2020 were audited by another auditor, who have issued an unmodified opinion with emphasis of matter paragraph on March 11, 2021.



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 with the IFRSs, IASs, 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 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 the 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 of the current period 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 audit resulting in this independent auditors' report are Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 4, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(1))	\$ 19,040,947	30	14,961,122	31
1110 Financial assets at fair value through profit or loss – current (note 6(2))	1,206,954	2	5,494,720	12
1156 Financial assets at amortized cost – current (notes 6(3) and 8)	568,694	1	293,860	1
1170 Accounts receivable, net (note 6(5))	5,915,737	9	5,348,420	11
1180 Accounts receivable – related parties, net (notes 6(5) and 7)	2,813,524	4	669,281	1
1200 Other receivables (notes 6(5) and 7)	623,912	1	305,918	1
1220 Tax assets	2,905	-	4,635	-
130X Inventories (note 6(6))	19,496,534	31	10,141,479	21
1410 Prepayments	24,967	-	74,217	-
1479 Other current assets	2,413	-	33,273	-
	<u>49,696,587</u>	<u>78</u>	<u>37,326,925</u>	<u>78</u>
Non-current assets:				
1510 Financial assets at fair value through profit or loss – non-current (note 6(2))	451,569	1	437,236	1
1517 Financial assets at fair value through other comprehensive income – non-current (note 6(4))	634,757	1	360,304	1
1550 Investments accounted for using the equity method (note 6(7))	4,155,042	7	4,007,874	8
1600 Property, plant and equipment (notes 6(10) and 8)	6,650,562	11	4,646,540	10
1755 Right-of-use assets (note 6(11))	39,276	-	32,384	-
1780 Intangible assets (note 6(12))	314,671	-	313,894	1
1840 Deferred tax assets (note 6(19))	495,193	1	375,960	1
1900 Other non-current assets (note 9(2))	583,700	1	62,835	-
	<u>13,324,770</u>	<u>22</u>	<u>10,237,027</u>	<u>22</u>
Total assets	<u>\$ 63,021,357</u>	<u>100</u>	<u>\$ 47,563,952</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (note 6(13))	\$ 439,216	1	1,480,480	3
2130 Contract liabilities – current	203,044	-	35,553	-
2170 Accounts payable	5,836,376	10	2,166,195	5
2180 Accounts payable – related parties (note 7)	3,200,307	5	1,289,722	3
2200 Other payables (notes 6(14) and 7)	9,821,146	16	6,045,010	13
2230 Tax payable	1,223,434	2	93,608	-
2280 Lease liabilities – current (note 6(11))	24,027	-	16,420	-
2320 Long-term borrowings, current portion (note 6(16))	30,947	-	30,486	-
2399 Other current liabilities (note 6(15))	1,048,696	2	605,208	1
	<u>21,827,193</u>	<u>36</u>	<u>11,765,682</u>	<u>25</u>
Non-Current liabilities:				
2530 Bonds payable (note 6(17))	3,412,855	5	-	-
2540 Long-term borrowings (note 6(16))	164,689	-	195,636	-
2570 Deferred tax liabilities (note 6(19))	183,177	-	325,441	1
2580 Lease liabilities – non-current (note 6(11))	16,003	-	16,212	-
2640 Net defined benefit liabilities (note 6(18))	104,897	-	103,528	-
Guarantee deposits received	4,109	-	4,986	-
	<u>3,885,720</u>	<u>5</u>	<u>645,803</u>	<u>1</u>
Total liabilities	<u>25,712,923</u>	<u>41</u>	<u>12,408,485</u>	<u>26</u>
Equity (note 6(20)):				
3100 Common shares	1,970,740	3	1,970,740	4
3200 Capital surplus	7,238,436	12	6,586,173	14
3300 Retained earnings	27,995,974	44	26,763,895	56
3400 Other equity interest	103,284	-	(165,341)	-
	<u>37,308,434</u>	<u>59</u>	<u>35,155,467</u>	<u>74</u>
Total liabilities and equity	<u>\$ 63,021,357</u>	<u>100</u>	<u>\$ 47,563,952</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		<u>2021</u>		<u>2020</u>	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(23) and 7)	\$ 62,557,192	100	48,496,522	100
5000	Operating costs (notes 6(6), (10), (18), (24) and 7)	<u>43,402,812</u>	69	<u>36,236,716</u>	75
	Gross profit from operations	19,154,380	31	12,259,806	25
5910	Unrealized profit on transactions with associates	<u>(54,596)</u>	-	<u>(12,331)</u>	-
	Realized gross profit	<u>19,099,784</u>	31	<u>12,247,475</u>	25
	Operating expenses (notes 6(10), (18), (24) and 7):				
6100	Marketing expenses	1,034,735	2	876,567	2
6200	General and administrative expenses	846,159	1	788,866	1
6300	Research and development expenses	8,127,841	13	6,752,676	14
6450	Expected credit loss (gain) (note 6(5))	<u>6,600</u>	-	<u>(60,241)</u>	-
	Total operating expenses	<u>10,015,335</u>	16	<u>8,357,868</u>	17
	Net operating income	<u>9,084,449</u>	15	<u>3,889,607</u>	8
	Non-operating income and expenses:				
7010	Other income (notes 6(25) and 7)	156,060	-	430,640	1
7020	Other gains and losses (notes 6(7), (9) and (25))	187,831	-	4,856,299	10
7050	Finance costs (note 6(25))	(19,006)	-	(5,132)	-
7100	Interest income (note 6(25))	37,546	-	42,993	-
7060	Shares of profit of associates accounted for using the equity method (note 6(7))	<u>290,734</u>	-	<u>479,022</u>	1
		<u>653,165</u>	-	<u>5,803,822</u>	12
7900	Profit before tax	9,737,614	15	9,693,429	20
7950	Income tax expenses (note 6(19))	<u>1,590,399</u>	2	<u>986,678</u>	2
8200	Net profit for the year	<u>8,147,215</u>	13	<u>8,706,751</u>	18
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(354)	-	(7,434)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(26))	99,481	-	(107,664)	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	287,188	-	60,414	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(19))	<u>71</u>	-	<u>1,487</u>	-
	Total items that will not be reclassified subsequently to profit or loss	<u>386,386</u>	-	<u>(53,197)</u>	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(106,472)	-	106,330	-
8399	Income tax related to items that may be reclassified subsequently (note 6(19))	<u>-</u>	-	<u>(30,630)</u>	-
	Total items that may be reclassified subsequently to profit or loss	<u>(106,472)</u>	-	<u>75,700</u>	-
8300	Other comprehensive income	<u>279,914</u>	-	<u>22,503</u>	-
8500	Total comprehensive income	<u>\$ 8,427,129</u>	<u>13</u>	<u>\$ 8,729,254</u>	<u>18</u>
	Net profit attributable to:				
8610	Owners of the Company	\$ 8,147,215	13	8,699,044	18
8620	Non-controlling interests	<u>-</u>	-	<u>7,707</u>	-
		<u>\$ 8,147,215</u>	<u>13</u>	<u>\$ 8,706,751</u>	<u>18</u>
	Comprehensive income attributable to:				
8710	Owners of the Company	\$ 8,427,129	13	8,721,255	18
8720	Non-controlling interests	<u>-</u>	-	<u>7,999</u>	-
		<u>\$ 8,427,129</u>	<u>13</u>	<u>\$ 8,729,254</u>	<u>18</u>
	Earnings per share (New Taiwan Dollars) (note 6(22)):				
9750	Basic earnings per share	<u>\$ 41.34</u>		<u>\$ 44.14</u>	
9850	Diluted earnings per share	<u>\$ 40.09</u>		<u>\$ 43.01</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Common shares	Capital surplus	Legal reserve	Special reserve	Retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
Balance at January 1, 2020	1,970,740	6,724,104	3,850,715	-	16,411,959	20,643,601	(176,125)	29,162,320	29,188,638
Net profit for the year	-	-	-	-	8,699,044	8,699,044	-	8,699,044	7,707
Other comprehensive income (loss) for the year	-	-	-	-	(5,947)	(5,947)	(47,250)	22,211	292
Total comprehensive income (loss) for the year	-	-	-	-	8,693,097	8,693,097	(47,250)	8,721,255	7,999
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	455,816	-	(455,816)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,561,962)	(2,561,962)	-	(2,561,962)	-
Reversal of special reserve	-	-	-	(204,802)	204,802	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	(335,315)	-	-	(28,215)	(28,215)	-	(363,530)	94
Changes in ownership interests in subsidiaries	-	(426)	-	-	-	-	-	(426)	333
Share-based payments	-	197,810	-	-	-	-	-	197,810	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(34,734)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,374	17,374	(17,374)	-	-
Balance at December 31, 2020	1,970,740	6,586,173	4,306,531	-	22,281,239	26,763,895	(128,250)	35,155,467	35,155,467
Net profit for the year	-	-	-	-	8,147,215	8,147,215	-	8,147,215	8,147,215
Other comprehensive income (loss) for the year	-	-	-	-	(283)	(283)	(106,472)	279,914	279,914
Total comprehensive income (loss) for the year	-	-	-	-	8,146,932	8,146,932	(386,669)	8,427,129	8,427,129
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	1,223,777	-	(1,223,777)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(6,503,442)	(6,503,442)	-	(6,503,442)	-
Reversal of special reserve	-	-	-	(20,557)	20,557	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	268,525	-	-	(422,983)	(422,983)	-	(154,458)	-
Share-based payments	-	281,369	-	-	-	-	-	281,369	-
Due to recognition of equity component of convertible bonds	-	102,369	-	-	-	-	-	102,369	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	11,572	11,572	(11,572)	-	-
Balance at December 31, 2021	1,970,740	7,238,436	5,530,808	-	22,310,098	27,995,974	(143,563)	37,308,434	37,308,434

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 9,737,614	9,693,429
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	470,642	377,747
Amortization expense	271,835	200,961
Expected credit loss (reversal gain)	6,600	(60,241)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(266,703)	23,814
Financial costs	19,006	5,132
Interest income	(37,546)	(42,993)
Dividend income	(95,052)	(82,471)
Share-based payments	281,369	197,810
Shares of profit of associates accounted for using the equity method	(290,734)	(479,022)
Loss on disposal of property, plant and equipment	-	2,282
Loss (gain) on disposal of investments accounted for using the equity method	272	(5,202,580)
Unrealized profit on transactions with associates	54,596	12,331
Unrealized foreign exchange loss	31,423	197,736
Write-down of inventories	135,888	203,123
Recognition of refund liabilities	555,242	261,975
Gains on modification of lease	(6)	(468)
Total adjustments to reconcile profit (loss)	1,136,832	(4,384,864)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(2,748,366)	(205,299)
Other receivables	(314,156)	126,753
Inventories	(9,490,943)	1,048,001
Prepayments	49,250	190,914
Other current assets	30,802	(10,615)
Contract liabilities	167,491	(92,481)
Accounts payable (including related parties)	5,605,507	(34,107)
Other payable	1,830,736	1,669,061
Other current liabilities	(169,088)	(171,443)
Net defined benefit liability	1,015	1,149
Deferred revenue	-	(1,060)
Total changes in operating assets and liabilities	(5,037,752)	2,520,873
Cash inflow generated from operations	5,836,694	7,829,438
Interest paid	(19,143)	(4,621)
Income taxes paid	(720,321)	(1,222,691)
Net cash flows from operating activities	5,097,230	6,602,126

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(174,972)	(3,825)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	144,485
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	246
Acquisition of financial assets at amortized cost	(3,652,682)	(396,026)
Proceeds from disposal of financial assets at amortized cost	3,407,878	121,862
Acquisition of financial assets at fair value through profit or loss	(203,338)	(2,167,078)
Proceeds from disposal of financial assets at fair value through profit or loss	4,721,119	92,379
Proceeds from capital reduction of financial assets at fair value through profit and loss	21,450	19,140
Acquisition of investments accounted for using the equity method	-	(217,725)
Net cash inflow on disposal of associates	-	1,776,295
Net cash flow from acquisition of subsidiaries	-	(316,430)
Proceeds from disposal of subsidiaries	-	1,713,062
Proceeds from capital reduction of investments accounted for using the equity method	54,457	-
Acquisition of property, plant and equipment	(2,340,904)	(1,057,251)
Proceeds from disposal of property, plant and equipment	-	177
Increase in refundable deposits	(514,336)	(6,458)
Acquisition of intangible assets	(272,624)	(247,510)
Increase in prepayments for equipment	(50,038)	(53,049)
Interest received	36,777	43,189
Dividends received	166,365	119,907
Net cash flows from (used in) investing activities	1,199,152	(434,610)
Cash flows from financing activities:		
Increase in short-term loans	7,822,390	4,062,516
Decrease in short-term loans	(8,866,888)	(2,605,023)
Repayments of long-term borrowings	(30,486)	(106,700)
Proceeds from issuing bonds (excluding issuance costs)	3,511,309	-
Decrease in guarantee deposits received	(877)	(254)
Payment of lease liabilities	(21,392)	(15,506)
Cash dividends paid	(4,532,702)	(2,561,962)
Change in non-controlling interests	-	(34,734)
Net cash flows used in financing activities	(2,118,646)	(1,261,663)
Effect of exchange rate changes on cash and cash equivalents	(97,911)	(149,988)
Net increase in cash and cash equivalents	4,079,825	4,755,865
Cash and cash equivalents at beginning of period	14,961,122	10,205,257
Cash and cash equivalents at end of period	\$ 19,040,947	14,961,122

See accompanying notes to consolidated financial statements.

Comparison Table for Amendments to Articles of Association

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 9	Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the board of directors according to the law. Special meetings may be convened according to the law when necessary.	Article 9	Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the board of directors according to the law. Special meetings may be convened according to the law when necessary. <u>The shareholders' meeting of the Company may be held by means of visual communication network or other methods promulgated by the central competent authority. In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</u>	In order to make the method of holding the shareholders' meetings more flexible, the Articles of Association is amended in accordance with the provisions of Article 172-2 of the Company Act.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 21	<p>The Articles were established on October 24, 2000.</p> <p>The first amendment was made on November 21, 2000.</p> <p>The second amendment was made on September 5, 2001.</p> <p>The third amendment was made on February 15, 2002.</p> <p>The fourth amendment was made on April 9, 2002.</p> <p>The fifth amendment was made on June 25, 2002.</p> <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>	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> <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>Add the number of amendments and date of amendment.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	The tenth amendment was made on June 16, 2005.		The tenth amendment was made on June 16, 2005.	
	The eleventh amendment was made on June 14, 2006.		The eleventh amendment was made on June 14, 2006.	
	The twelfth amendment was made on November 1, 2006.		The twelfth amendment was made on November 1, 2006.	
	The thirteenth amendment was made on June 13, 2007.		The thirteenth amendment was made on June 13, 2007.	
	The fourteenth amendment was made on June 13, 2008.		The fourteenth amendment was made on June 13, 2008.	
	The fifteenth amendment was made on May 8, 2009.		The fifteenth amendment was made on May 8, 2009.	
	The sixteenth amendment was made on June 15, 2010.		The sixteenth amendment was made on June 15, 2010.	
	The seventeenth amendment was made on June 15, 2011.		The seventeenth amendment was made on June 15, 2011.	
	The eighteenth amendment was made on June 11, 2013.		The eighteenth amendment was made on June 11, 2013.	
	The nineteenth amendment was made on June 17, 2014.		The nineteenth amendment was made on June 17, 2014.	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	The twentieth amendment was made on June 2, 2015. The twenty-first amendment was made on June 15, 2016. The twenty-second amendment was made on June 13, 2017. The twenty-third amendment was made on June 12, 2019. The twenty-four amendment was made on June 3, 2020. The twenty-fifth amendment was made on July 26, 2021.		The twentieth amendment was made on June 2, 2015. The twenty-first amendment was made on June 15, 2016. The twenty-second amendment was made on June 13, 2017. The twenty-third amendment was made on June 12, 2019. The twenty-four amendment was made on June 3, 2020. The twenty-fifth amendment was made on July 26, 2021. <u>The twenty-sixth amendment was made on May 24, 2022.</u>	

Comparison Table for Amendments to Articles of Procedure for Shareholders' Meeting

Item	Current Articles		Amended Articles		Amendment Explanation
	Content	Item	Content		
Article 1	The Company's shareholder's meeting shall be conducted in accordance with the Rules. The items which are not regulated in the Rules shall be processed in accordance with the relevant provisions of the Company Act and the Articles of Association of Company.	Article 1	The Company's shareholder's meeting shall be conducted in accordance with the Rules. The items which are not regulated in the Rules shall be processed in accordance with the relevant provisions of the Company Act and the Articles of Association of the Company.		The wording of this article is revised.
	<u>This article is a new provision.</u>	<u>Article 1-1</u>	<u>The shareholders' meetings of the Company may be convened by means of physical meeting, visual communication network or other methods promulgated by the central competent authority. If the shareholders' meeting is held through visual communication, shareholders, an issuer's proxy solicitors, and proxy agents (hereinafter referred to as "shareholders") who wish to attend the meeting online shall register with the Company two days before the meeting date. The shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</u>		Added to be in line with the amendments of the laws and regulations.
Article 2	Attending shareholders or their agents are required to wear an attendance card and to	Article 2	Attending shareholders or their agents are required to wear an attendance card		Amended to be in line with the laws and

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	submit attendance cards in lieu of signing in. The number of shares represented by shareholders attending the meeting shall be calculated in accordance with the number of attendance cards submitted by shareholders and the number of shares held by shareholders who are permitted to exercise voting rights in electronic form.		and to submit attendance cards in lieu of signing in. The number of shares represented by shareholders attending the meeting shall be calculated in accordance with the number of attendance cards submitted by shareholders and the attending number of shares on the <u>platform of the visual communication network</u> , and the number of shares held by shareholders who are permitted to exercise voting rights in electronic form.	regulations.
Article 3	Shareholders' meeting shall convene at the Company's registered office or a place convenient to attend and suitable for meeting, the meeting shall be called no earlier than 9 a.m. and no later than 3 p.m.	Article 3	Shareholders' meeting shall convene at the Company's registered office or a place convenient to attend and suitable for meeting, the meeting shall be called no earlier than 9 a.m. and no later than 3 p.m. <u>The restrictions on the place of the meeting shall not apply when the Company convenes a virtual shareholders meeting.</u>	Amended to be in line with the laws and regulations.
Article 5	Entire proceedings of shareholders' meeting shall be recorded on audio or video tape and preserved for at least 1 year.	Article 5	Entire proceedings of shareholders' meeting shall be recorded on audio or video tape and preserved for at least 1 year. <u>Where a shareholders meeting is held online, the Company shall keep records of shareholder registration, sign-in,</u>	Amended to be in line with the laws and regulations.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 6	When a majority of the shareholders present, who represent more than one-half of the total number of voting shares, the meeting Chairman shall call the meeting. If the number of shares represented by the attending shareholders has not yet constituted the quorum at the time scheduled for the general meeting, the meeting Chairman may postpone the time for the meeting. The postponements shall be	Article 6	<p><u>check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.</u></p> <p><u>The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.</u></p> <p><u>In case of a virtual shareholders meeting, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.</u></p> <p>When a majority of the shareholders present, who represent more than one-half of the total number of voting shares, the meeting Chairman shall call the meeting. If the number of shares represented by the attending shareholders has not yet constituted the quorum at the time scheduled for the general meeting, the meeting Chairman may postpone the time for the meeting.</p>	Amended to be in line with the laws and regulations.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 7	<p>limited to two times at most, and the meeting shall not be postponed for more than one hour in total. If after two postponements the number of Shares represented by the attending Shareholders has not yet constituted more than one-third (1/3) of all Shares in issue present in person or by proxy and entitled to vote, a tentative resolution may be passed in accordance with Article of 175 of the Company Act. During the execution of a tentative resolution, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all shares in issue, the meeting Chairman may put the tentative resolutions already passed to the Shareholders' resolution again in accordance with Article 174 of the Company Act.</p>	Article 7	<p>The postponements shall be limited to two times at most, and the meeting shall not be postponed for more than one hour in total. If after two postponements the number of Shares represented by the attending Shareholders has not yet constituted more than one-third (1/3) of all Shares in issue present in person or by proxy and entitled to vote, a tentative resolution may be passed in accordance with Article of 175 of the Company Act. During the execution of a tentative resolution, if the number of Shares represented by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all shares in issue, the meeting Chairman may put the tentative resolutions already passed to the Shareholders' resolution again in accordance with Article 174 of the Company Act. <u>If the shareholders' meeting is held through visual communication, shareholders who wish to attend the meeting online shall register with the Company two days before the meeting date.</u></p>	
Article 7	<p>If a shareholder meeting is convened by the</p>	Article 7	<p>If a shareholder meeting is convened by</p>	Amended to be in line

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>board of directors, the board of directors shall decide the proceedings and the meeting shall be conducted accordingly, no changes may be made except with the resolution of the shareholder meeting. The preceding paragraph applies to circumstances where the shareholder's meeting is convened by any person, who is outside the board of directors but having the convening right. Prior to conclusion of the preceding two agenda items (including extraordinary motions), the meeting Chairman may not declare the meeting adjourned without a resolution. After a meeting closed, shareholders may not elect another meeting Chairman to continue the proceeding of the meeting at the same or a new place, provided that, if the meeting Chairman declares the adjournment of the meeting in a manner in violation of the proceedings of meetings, a new meeting Chairman may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceeding of the meeting.</p>		<p>the board of directors, the board of directors shall decide the proceedings and the meeting shall be conducted accordingly, no changes may be made except with the resolution of the shareholder meeting. <u>Changes to how the Company convenes its shareholders' meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders' meeting notice.</u> The preceding paragraph applies to circumstances where the shareholder's meeting is convened by any person, who is outside the board of directors but having the convening right. Prior to conclusion of the preceding two agenda items (including extraordinary motions), the meeting Chairman may not declare the meeting adjourned without a resolution. After a meeting closed, shareholders may not elect another meeting Chairman to continue the proceeding of the meeting at the same or a new place, provided that, if the meeting Chairman declares the adjournment of the meeting in a manner in violation of rules</p>	with the laws and regulations.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			governing the proceedings of meetings, a new meeting Chairman may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceeding of the meeting.	
	<u>This article is a new provision.</u>	<u>Article 8-1</u>	When the Company convenes a virtual-only shareholders meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.	Added to be in line with the amendments of the laws and regulations.
	<u>This article is a new provision.</u>	<u>Article 8-2</u>	When the Company convenes a virtual shareholders meeting, it shall include the items stipulated in the Regulations Governing the Administration of Shareholder Services of Public Companies in the shareholders' meeting notice.	Added to be in line with the amendments of the laws and regulations.
	<u>This article is a new provision.</u>	<u>Article 13-1</u>	Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same	Added to be in line with the amendments of the laws and regulations.

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
Article 16	Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. A proposal is deemed to have passed when no attending shareholders gave the dissents after being required by the meeting Chairman and the effect thereof is the same as a vote.	Article 16	Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. <u>At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</u>	Amended to be in line with the laws and regulations.
Article 18	In the event amendments or substitutions	Article 18	In the event amendments or substitutions	Amended to be in line

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
	<p>are provided for in the same proposal, the meeting Chairman may decide the order of the vote including the original proposal. When any one among of them is passed, the other proposals are simultaneously rejected and no further voting shall be required.</p> <p>When the written proposal of a shareholder, pursuant to the Article 172-1 of the Company Act, is included in the agenda of the general shareholders' meeting, and if the type of the proposal is similar to the one already proposed by the board of directors, these proposal submissions shall be combined and processed in accordance with the provisions of the preceding paragraph.</p> <p>The order of the discussion of each proposal brought up in extraordinary motion and the order of the vote shall be decided by the meeting Chairman.</p>		<p>are provided for in the same proposal, the meeting Chairman may decide the order of the vote including the original proposal. When any one among of them is passed, the other proposals are simultaneously rejected and no further voting shall be required.</p> <p>When the written proposal of a shareholder, pursuant to the Article 172-1 of the Company Act, is included in the agenda of the general shareholders' meeting, and if the type of the proposal is similar to the one already proposed by the board of directors, these proposal submissions shall be combined and processed in accordance with the provisions of the preceding paragraph.</p> <p>The order of the discussion of each proposal brought up in extraordinary motion and the order of the vote shall be decided by the meeting Chairman.</p> <p><u>When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or</u></p>	<p>with the laws and regulations.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p>will be deemed abstained from voting. In the event of a virtual shareholders' meeting, votes shall be counted one at a time after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.</p>	
	<p><u>This article is a new provision.</u></p>	<p><u>Article 18-1</u></p>	<p>In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.</p>	<p>Added to be in line with the amendments of the laws and regulations.</p>
	<p><u>This article is a new provision.</u></p>	<p><u>Article 18-2</u></p>	<p>In the event of a virtual shareholders' meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural</p>	<p>Added to be in line with the amendments of the laws and regulations.</p>

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p><u>disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.</u></p> <p><u>For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.</u></p> <p><u>For a meeting to be postponed or resumed under the first paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed</u></p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p><u>session.</u></p> <p><u>During a postponed or resumed session of a shareholders' meeting held under the first paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.</u></p> <p><u>When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in the first paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue, and not postponement or resumption thereof under the first paragraph is required.</u></p> <p><u>Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders</u></p>	

Current Articles		Amended Articles		Amendment Explanation
Item	Content	Item	Content	
			<p><u>present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting. When postponing or resuming a meeting according to the first paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</u></p>	
	<p><u>This article is a new provision.</u></p>	<p><u>Article 18-3</u></p>	<p><u>When convening a virtual-only shareholders meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online.</u></p>	<p>Added to be in line with the amendments of the laws and regulations.</p>
Article 22	<p>This rule is made on March 26, 2003. The first amendment was made on June 14, 2006. The second amendment was made on June 13, 2017.</p>	<p>Article 22</p>	<p>This rule is made on March 26, 2003. The first amendment was made on June 14, 2006. The second amendment was made on June 13, 2017. The third amendment was made on May 24, 2022.</p>	<p>Add the number of amendments and date of amendment.</p>

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

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 3	<p>Scope of assets and terminology</p> <p>1- The scope of assets mentioned in the Procedures is as follows:</p> <p>(+) long-term and short-term investment: stocks, government bonds, corporate bonds, financial debenture, securities of outstanding fund, and asset backed securities.</p> <p>(2) Real property (including land, houses and buildings, investment property) and equipment.</p> <p>(3) Membership certificate.</p> <p>(4) Intangible asset: including patency, copyright, trade mark right, and franchise.</p> <p>(5) Right-of-use assets.</p> <p>(6) Financial institutes' debentures (including account receivable, foreign exchange buying discount, loan, and non-accrual debt).</p> <p>(7) Financial derivatives.</p> <p>(8) Asset acquired or disposed due to legal merger, division, acquisition, or receiving shares.</p> <p>(9) Other major assets.</p> <p>2- Definitions:</p> <p>(+) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term purchase (sales) contracts.</p> <p>(2) Asset acquired or disposed due to legal merger, demerger,</p>	Article 3	<p>Scope of assets and terminology</p> <p>The scope of assets mentioned in the Procedures is as follows:</p> <p>1. long-term and short-term investment: stocks, government bonds, corporate bonds, financial debenture, securities of outstanding fund, depository receipt, call (put) warrant, beneficiary securities, and asset backed securities.</p> <p>2. Real property (including land, houses and buildings, investment property) and equipment.</p> <p>3. Membership certificate.</p> <p>4. Intangible asset: including patency, copyright, trade mark right, and franchise.</p> <p>5. Right-of-use assets.</p> <p>6. Financial institutes' debentures (including account receivable, foreign exchange buying discount, loan, and non-accrual debt).</p> <p>7. Financial derivatives.</p> <p>8. Asset acquired or disposed due to legal merger, division, acquisition, or receiving shares.</p> <p>9. Other major assets.</p> <p>Definitions:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term purchase (sales) contracts.</p> <p>2. Asset acquired or disposed due to legal merger, demerger,</p>	Adjusted the numbering of the article and paragraph and amended in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article	Current Articles Content	Article	Amended Articles Content	Amendment Explanation
	<p>acquisition, or receiving shares: Assets acquired from or disposed through merger, demerger, or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws and regulations, or receiving IPO shares of other company (herein after referred to as transfer of shares) in accordance with Article 156-3 of the Company Act.</p> <p>(3) Stakeholders/subsidiary: As the Regulations the Preparation of Financial Reports by Securities Issuers may define.</p> <p>(4) Professional appraiser: Real estate property appraiser or other professionals legally permitted for practicing appraisal on real estate property and equipment.</p> <p>(5) Actual occurrence date: a contract execution date, payment date, completion date, ownership transfer date, board of directors' resolution date, or date on which a counterparty and transaction amount become definitely certain, whichever happens earlier. However, for investment that requires approval from the competent authority, an actual occurrence date shall be either the date above mentioned or the date of the said approval, whichever happens earlier.</p> <p>(6) Investment in Mainland China area: An investment made in Mainland China in compliance with the Regulations Governing Approval for Investment or Technical Cooperation in Mainland China Area stipulated by the Investment Commission, Ministry of Economic Affairs.</p> <p>(7) Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</p>		<p>acquisition, or receiving shares: Assets acquired from or disposed through merger, demerger, or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws and regulations, or receiving IPO shares of other company (herein after referred to as transfer of shares) in accordance with Article 156-3 of the Company Act.</p> <p>3. Stakeholders/subsidiary: As the Regulations the Preparation of Financial Reports by Securities Issuers may define.</p> <p>4. Professional appraiser: Real estate property appraiser or other professionals legally permitted for practicing appraisal on real estate property and equipment.</p> <p>5. Actual occurrence date: a contract execution date, payment date, completion date, ownership transfer date, board of directors' resolution date, or date on which a counterparty and transaction amount become definitely certain, whichever happens earlier. However, for investment that requires approval from the competent authority, an actual occurrence date shall be either the date above mentioned or the date of the said approval, whichever happens earlier.</p> <p>6. Investment in Mainland China area: An investment made in Mainland China in compliance with the Regulations Governing Approval for Investment or Technical Cooperation in Mainland China Area stipulated by the Investment Commission, Ministry of Economic Affairs.</p> <p>7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</p>	

Article	Current Articles	Article	Amended Articles	Amendment Explanation
	<p>(8) Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</p> <p>(9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</p> <p>3- For the valuation report obtained by the Company or the opinion of the accountants, attorneys or securities underwriters, the professional appraisers and the valuers, the accountants, attorneys or securities underwriters and the dealing party shall meet the following requirements.</p> <p>(+) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(+) May not be a related party or de facto related party of any party to the transaction.</p> <p>(+) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p>		<p>8. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</p> <p>9. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</p> <p>For the valuation report obtained by the Company or the opinion of the accountants, attorneys or securities underwriters, the professional appraisers and the valuers, the accountants, attorneys or securities underwriters and the dealing party (hereinafter referred to as professional) shall meet the following requirements.</p> <p>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p><u>When issuing an appraisal report or opinion, the professionals referred to in the preceding paragraph shall comply with the Regulations and</u></p>	

Article	Current Articles Content	Article	Amended Articles Content	Amendment Explanation
Article 4	<p>Evaluation Procedure: The price determination method and reference basis for acquisition and disposal of assets of the Company shall comply with the following regulations:</p> <p>1. Securities: Omitted. (1) Omitted. (2) Omitted.</p> <p>Where the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; if the certified public accountant needs to adopt a professional report, the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (hereafter referred to as the "ARDF"). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereafter referred to as the "FSC").</p> <p>2. Real Property, Equipment, or right-of-use assets thereof: Omitted. (1) Omitted. (2) Omitted. (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, except in the case when the appraisal results of acquiring an asset are higher than the transaction amount, or when the appraisal results of disposing an asset are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of</p>	Article 4	<p>the industry codes of their respective trade associations of which they are members as well as the related regulations.</p> <p><u>The price determination method and reference basis for acquisition and disposal of assets of the Company shall comply with the following regulations:</u></p> <p>1. Securities: Omitted. (1) Omitted. (2) Omitted.</p> <p>Where the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; based on the provisions of Paragraph 4 of Article 3. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereafter referred to as the "FSC").</p> <p>2. Real Property, Equipment, or right-of-use assets thereof: Omitted. (1) Omitted. (2) Omitted. (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, except in the case when the appraisal results of acquiring an asset are higher than the transaction amount, or when the appraisal results of disposing an asset are lower than the transaction amount, a certified public accountant, based on the provisions of Paragraph 4 of Article 3, and render a specific opinion regarding the reason</p>	Amended in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the operation of the Company.

Article	Current Articles Content	Article	Amended Articles Content	Amendment Explanation
Article 5	<p>Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>I. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>II. The discrepancy between the appraisal result and the transaction amount is 10% or more of the transaction amount.</p> <p>(4) Omitted.</p> <p>3. Intangible Assets or right-of-use assets thereof or memberships: Acquisition or disposal of intangible Assets or right-of-use assets thereof or memberships shall be conducted after collecting relevant price information and assess regulations. Shall be prudently assess regulations and contract content to determine the transaction price. Acquisition or disposal of memberships shall be conducted after collecting relevant price information and based on inquiry or parity. Where the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>4. Omitted.</p> <p>5. Other Major Assets Omitted.</p> <p>6. Omitted.</p>	Article 5	<p>for the discrepancy and the appropriateness of the transaction price:</p> <p>I. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>II. The discrepancy between the appraisal result and the transaction amount is 10% or more of the transaction amount.</p> <p>(4) Omitted.</p> <p>3. Intangible Assets or right-of-use assets thereof or memberships: Acquisition or disposal of intangible Assets or right-of-use assets thereof or memberships shall be conducted after collecting relevant price information and assess regulations. Shall be prudently assess regulations and contract content to determine the transaction price. Acquisition or disposal of memberships shall be conducted after collecting relevant price information and based on inquiry or parity. Where the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; <u>based on the provisions of Paragraph 4 of Article 3.</u></p> <p>4. Omitted.</p> <p>5. Other Major Assets Omitted.</p> <p>6. Omitted.</p>	
Article 5	<p>Operating Procedure</p> <p>4- Authorization Limit and Level</p> <p>(4) 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</p>	Article 5	<p>Operating Procedure</p> <p>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</p>	Amended in accordance with the Regulations Governing the

Article	Current Articles				Article	Amended Articles				Amendment Explanation				
	Item	Amount	Board of Directors	Authority Chairman		General Manager	Division Chief	Item	Amount		Board of Directors	Authority Chairman	CEO	General Manager
	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.												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.	Acquisition and Disposal of Assets by Public Companies and the operation of the Company.
	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.	Long-term securities investment (including) ~ 300 million (excluding)	Approval	Approval	Approval	Review	Below 80 million (excluding)	80 million (including) ~ 300 million (excluding)	Approval	Approval	Review	Approval	Long-term securities investment (including) ~ 300 million (excluding)	Review
		Over 300 million (including)	Approval	Review	Review	Review	Over 300 million (including)	Total amount per level below 100 million (including)	Approval	Review	Review	Approval	Over 300 million (including)	Review
		Short-term securities investment (including) ~ 300 million (excluding)	Approval	Approval	Approval	Review	Total amount per level 100 million (including)	Total amount per level 100 million (excluding) ~ 300 million (including)	Approval	Approval	Review	Review	Short-term securities investment (including) ~ 300 million (excluding)	Review
		Total amount per level over 300 million (excluding)	Approval	Review	Review	Review	Total amount per level over 300 million (excluding)	Total amount per level over 300 million (including)	Approval	Approval	Review	Review	Total amount per level over 300 million (including)	Review
		Real property (or right-of-use assets thereof)	Approval	Review	Review	Approval	Below 3000000 (excluding)	3000000 (including) ~ 300 million (excluding)	Approval	Approval	Review	Review	Real property (or right-of-use assets thereof)	Review

Article	Current Articles				Article	Amended Articles				Amendment Explanation
	Content					Content				
	assets thereof	300000 (including) ~ 300 million (excluding)	Approval	Review		Over 300 million (including) ~ 300000 (excluding)	Approval	Review	Review	
		Over 300 million (including)	Approval	Review		300000 (including) ~ 30 million (excluding)			Approval	
		Below 300000 (excluding)				30 million (including) ~ 300 million (excluding)		Approval	Review	
	Equipment (or right-of-use assets thereof)	300000 (including) ~ 30 million (excluding)		Approval		Over 300 million (including)	Approval	Review	Review	
		30 million (including) ~ 300 million (excluding)		Approval		Below 20 million (excluding)		Approval	Review	
		Over 300 million (including)	Approval	Review		Over 20 million (including)	Approval	Review	Review	
						Memberships				
						Creditor rights in financial institution				

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

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

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

Article	Current Articles				Article	Amended Articles		Amendment Explanation
	Content					Content		
	shares in accordance with acts of law	Shall be decided by the Board of Shareholders according to laws	Review	Review	Review	Review	Review	
	Other major assets	Below 150 million (excluding)	Approval	Review	Review	Review	Review	
		Over 150 million (including)	Approval	Review	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. 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 approved by more than half of all directors with more than two-thirds of all directors being present.</p> <p>2- Executive Unit</p> <p>The acquisition or disposal of assets by the Company shall be executed by the following units:</p>				<p>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 approved by more than half of all directors with more than two-thirds of all directors being present.</p> <p>The acquisition or disposal of assets by the Company shall be executed by the following units:</p>			

Article	Current Articles	Article	Amended Articles	Amendment Explanation
	<p>Content</p> <p>(1) Long-term investment in securities, memberships, intangible assets (or right-of-use assets thereof), assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law and other major assets: appraised and executed by the project team through directing of General Manager or Chairman.</p> <p>(2) Short-term investment in securities, derivatives and creditor rights in financial institution: appraised and executed by Finance Department.</p> <p>(3) Real property (or right-of-use assets thereof): undertaken by General Affairs Department.</p> <p>(4) Equipment (or right-of-use assets thereof): undertaken by requisition unit with General Admin. Department.</p> <p>(5) Public announcement and declaration: the public announcement and declaration personnel engage the undertaker to consolidate relevant information of public announcement and declaration and manage wholly.</p> <p>3. Transaction Process</p> <p>The transaction process and operation for acquisition or disposal of assets shall comply with relevant laws and provisions related to internal control system of the Company.</p>	<p>Article</p>	<p>Content</p> <p>1. Long-term investment in securities, memberships, assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law and other major assets: appraised and executed by the project team through directing of General Manager, <u>CEO</u> or Chairman.</p> <p>2. Short-term investment in securities, derivatives and creditor rights in financial institution: appraised and executed by Finance Department.</p> <p>3. Real property (or right-of-use assets thereof): undertaken by <u>Administration Division</u>.</p> <p>4. Equipment and <u>intangible assets</u> (or right-of-use assets thereof): undertaken by requisition unit with <u>Administration Division</u> or <u>Purchasing Department</u>.</p> <p>5. Public announcement and declaration: the public announcement and declaration personnel engage the undertaker to consolidate relevant information of public announcement and declaration and manage wholly.</p> <p>The transaction process and operation for acquisition or disposal of assets shall comply with relevant laws and provisions related to internal control system of the Company.</p>	
Article 7	<p>Control on procedures for the acquisition or disposal of assets of subsidiaries</p> <p>1. The Company shall urge the Subsidiaries to prepare and execute the Disposal Procedure for the Acquisition or Disposal of the Assets. After this procedure is adopted by the subsidiaries' Board of Directors, it shall be submitted to the supervisors and the shareholders meeting for approval. The same shall apply to the amendment of this procedure.</p> <p>2. Control on procedures for the acquisition or disposal of assets of subsidiaries by the Company, shall be handled in accordance with relevant laws and Internal Control System of the Company.</p>	Article 7	<p>Control on procedures for the acquisition or disposal of assets of subsidiaries</p> <p>The Company's procedures for controlling the acquisition or disposal of assets by subsidiaries are as follows:</p> <p>1. The Company shall urge the Subsidiaries to prepare and execute the Disposal Procedure for the Acquisition or Disposal of the Assets. After this procedure is adopted by the subsidiaries' Board of Directors, it shall be submitted to the supervisors and the shareholders meeting for approval. The same shall apply to the amendment of this procedure.</p> <p>2. Control on procedures for the acquisition or disposal of assets of subsidiaries by the Company, shall be handled in accordance with relevant laws and Internal Control System of the Company.</p>	Adjusted the numbering of the article and paragraph.

Article	Current Articles	Article	Amended Articles	Amendment Explanation
	Content		Content	
Article 9	<p>3. The subsidiaries of the Company are not domestic public offering companies, thus the acquisition or disposal of assets shall be reported or announced by the Company in accordance with the provisions of Section 5.</p> <p>The foresaid subsidiaries reach paid-in capital or total assets and their information required to be reported in accordance with the provisions of paragraph 1 of Article 19, it is determined by the paid-in capital or total assets of the company.</p>	Article 9	<p>3. The subsidiaries of the Company are not domestic public offering companies, thus the acquisition or disposal of assets shall be reported or announced by the Company in accordance with the provisions of Section 5.</p> <p>The foresaid subsidiaries reach paid-in capital or total assets and their information required to be reported in accordance with the provisions of paragraph 1 of Article 19, it is determined by the paid-in capital or total assets of the company.</p>	
Article 9	<p>Resolution Procedure</p> <p>When the company intends to acquire or dispose of real property, or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets or right-of-use assets thereof other than real property from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic bonds or domestic bonds under repurchase and resale agreements, or subscription or redemption of money market funds securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the board of directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal. 2. The reason for choosing the Related Party as a trading counterparty. 3. With respect to the acquisition of real property from a Related Party, or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 10 and 11. 4. The date and price at which the Related Party originally acquired the real property, the original counterparty and the trading counterparty's relationship with the Company and the Related Party. 5. Monthly cash flow forecasts for the year commencing from the month of anticipated signing of the contract and evaluation of the necessity of the transaction and reasonableness of the use of 	Article 9	<p>Resolution Procedure</p> <p>When the company intends to acquire or dispose of real property, or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets or right-of-use assets thereof other than real property from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or domestic bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the board of directors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal. 2. The reason for choosing the Related Party as a trading counterparty. 3. With respect to the acquisition of real property from a Related Party, or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 10 and 11. 4. The date and price at which the Related Party originally acquired the real property, the original counterparty and the trading counterparty's relationship with the Company and the Related Party. 5. Monthly cash flow forecasts for the year commencing from the 	Amended in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article	Current Articles Content	Article	Amended Articles Content	Amendment Explanation
	<p>proceeds.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive and other important stipulations associated with the transaction.</p> <p>The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, "within the preceding year," as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may first authorize the Chairman to execute within a certain amount in accordance with the provisions of Subparagraph 1, Paragraph 1 of Article 5, and shall report at the most recent meeting of the Board of Directors for ratification:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets held for business use.</p> <p>(2) Acquisition or disposal of real property right-of-use assets held for business use</p> <p>When the procedures are submitted for discussion by the Board of Directors according to Paragraph 1, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.</p> <p>The issues which shall be recognized by Audit Committee according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5. Article 22.</p>		<p>month of anticipated signing of the contract and evaluation of the necessity of the transaction and reasonableness of the use of proceeds.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive and other important stipulations associated with the transaction.</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 amount in accordance with the provisions of Subparagraph 1, Paragraph 1 of Article 5, and shall report at the most recent meeting of the Board of Directors for ratification:</p> <p>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>(2) Acquisition or disposal of real property right-of-use assets held for business use</p> <p>When the procedures are submitted for discussion by the Board of Directors according to Paragraph 1, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.</p> <p>The issues which shall be recognized by Audit Committee according to Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of the provisions of Paragraph 4 and 5. Article 22.</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 13	<p>Resolution Procedure</p> <p>1-The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, for the merger of a subsidiary which directly or indirectly holds 100% issued shares or capital sum, or the merger between subsidiaries which directly or indirectly hold 100% issued shares or capital sum, the opinion on the reasonableness issued by experts pursuant to the preceding paragraph shall be avoided.</p> <p>2-The Company participating in a merger, demerger, acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding</p>	Article 13	<p>If the Company or a subsidiary which is not a domestic public company has made a transaction stipulated in Paragraph 1, and the transaction amount is more than 10 percent of the Company's total assets, the Company shall submit the materials listed in the Paragraph 1 to the Shareholders' Meeting for approval before signing a transaction contract and making payments. However, the regulation does not apply in the transactions between the Company and its parent company and subsidiaries, or the transactions among its subsidiaries.</p> <p><u>The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be made in accordance with Paragraph 2 of Article 19 herein, and "within the preceding year" as used herein refers to one year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting, the board of directors and Audit Committee need not be counted toward the transaction amount.</u></p> <p>Resolution Procedure</p> <p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, for the merger of a subsidiary which directly or indirectly holds 100% issued shares or capital sum, or the merger between subsidiaries which directly or indirectly hold 100% issued shares or capital sum, the opinion on the reasonableness issued by experts pursuant to the preceding paragraph shall be avoided.</p> <p>The Company participating in a merger, demerger, acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding</p>	
Article 13		Article 13		Adjusted the numbering of the article and paragraph and the wording concerning the numbering of the said article and paragraph throughout the regulation accordingly

Article	Current Articles	Article	Amended Articles	Amendment Explanation
	<p>Content</p> <p>sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, this Company participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>3. The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:</p> <p>(4+) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>(4-) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial</p>		<p>Content</p> <p>whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, this Company participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:</p> <p>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or</p>	

Article	Current Articles		Article	Amended Articles		Amendment Explanation
	Content	Content		Content	Content	
Article 18	<p>or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>(3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall, in two days of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Item 1 and 2 of the preceding subparagraphs to the FSC for recordation.</p> <p>Where the Company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of preceding 2 subparagraphs of this paragraphs.</p>	<p>legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall, in two days of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in <u>subparagraphs 1 and 2</u> of the preceding <u>paragraph</u> to the FSC for recordation.</p> <p>Where the Company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of preceding 2 <u>paragraphs</u>.</p>	Article 18	<p>Disposal of a company that is not a public one</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of paragraphs 4 through <u>paragraphs 8</u> of Article 13 and Article 14 and preceding Article.</p>	Adjusted the numbering of the article and paragraph and the wording concerning the numbering of the said article and paragraph throughout the regulation	

Article	Current Articles		Article	Amended Articles		Amendment Explanation accordingly
	Content	Content		Content	Content	
Article 19	<p>Public Announcement and Declaration Procedure</p> <p>In acquiring or disposing of assets, should any of the following conditions occur after the filing and public announcement of transactions, the Company needs to file and make public announcement at the website specified by FSC accordingly in two days from the Date of the Event by using the prescribed format according to the nature:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Omitted. 3. Omitted. 4. Omitted. (1) Omitted. (2) Omitted. 5. Omitted. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances: <ul style="list-style-type: none"> (1) Trading of domestic government bonds. 	<p>Public Announcement and Declaration Procedure</p> <p>In acquiring or disposing of assets, should any of the following conditions occur after the filing and public announcement of transactions, the Company needs to file and make public announcement at the website specified by FSC accordingly in two days from the Date of the Event by using the prescribed format according to the nature:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Omitted. 3. Omitted. 4. Omitted. (1) Omitted. (2) Omitted. 5. Omitted. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances: <ul style="list-style-type: none"> (1) Trading of domestic government bonds or foreign government bonds with the credit rating not lower than the sovereign credit rating of Taiwan (2) Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds or ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange-traded notes (ETN), or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange. 	<p>Article 19</p>	<p>Public Announcement and Declaration Procedure</p> <p>In acquiring or disposing of assets, should any of the following conditions occur after the filing and public announcement of transactions, the Company needs to file and make public announcement at the website specified by FSC accordingly in two days from the Date of the Event by using the prescribed format according to the nature:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Omitted. 3. Omitted. 4. Omitted. (1) Omitted. (2) Omitted. 5. Omitted. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances: <ul style="list-style-type: none"> (1) Trading of domestic government bonds or foreign government bonds with the credit rating not lower than the sovereign credit rating of Taiwan (2) Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds or ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange-traded notes (ETN), or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the 	<p>Amended in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>	

Article	Current Articles		Amended Articles		Amendment Explanation
	Article	Content	Article	Content	
		<p>(3) Trading of bonds under repurchase/resale agreements and the purchase or redemption of domestic money market funds issued by securities investment trust enterprise.</p> <p>Contents below are omitted.</p>		<p>Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase/resale agreements and the purchase or redemption of domestic money market funds issued by securities investment trust enterprise.</p> <p>Contents below are omitted.</p>	

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

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 6	<p>Procedures for handling loans of funds</p> <p>1. Application procedures</p> <p>(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. The Financial Department shall be evaluated with and subject to the Regulations announced by FSC and the Procedures, and then submitted, together with the result of the evaluation made as described in the Article 7, as well as the review report prepared, shall be review by general manager and chairman and submitted it to the Audit Committee and the Board of Directors for approval and no delegation shall be made to any person in this regard. The procedures shall comply with Paragraph 4 and 5, Article 14.</p> <p>(2)-(4) Omitted.</p> <p>2.-6. Omitted.</p>	Article 6	<p>Procedures for handling loans of funds</p> <p>1. Application procedures</p> <p>(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. 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, <u>according to the approval authority shall be review by responsible officer and chairman and submitted it to the Audit Committee and the Board of Directors for approval and no delegation shall be made to any person in this regard. The procedures shall comply with Paragraph 4 and 5, Article 14.</u></p> <p>(2)-(4) Omitted.</p> <p>2.-6. Omitted.</p>	The amendments are made according to the Company's operational needs.
Article 7	<p>Detailed review procedures</p> <p>When the Company lends the funds, the following review procedures shall be carried</p>	Article 7	<p>Detailed review procedures</p> <p>When the Company lends the funds, the following review procedures shall be carried</p>	

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>out:</p> <p>1. Evaluation of the necessity and rationality of funds lending to other parties After accepting the application, the Company shall assess the necessity and rationality of conducting funds lending to other parties.</p> <p>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.</p> <p>3. Acquisition of collateral and the appraisal value of collateral The Company shall require the borrower to provide collateral depending on the actual needs and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p> <p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity 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 loaning conditions, including the interest rate</p>		<p>out:</p> <p>1. Evaluation of the necessity and rationality of funds lending to other parties After accepting the application, the Company shall assess the necessity and rationality of conducting funds lending to other parties.</p> <p>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.</p> <p>3. Acquisition of collateral and the appraisal value of collateral The Company shall require the borrower to provide collateral depending on the actual needs and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.</p> <p>4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity 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 loaning conditions, including the interest rate</p>	operational needs.

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
	<p>calculation method, interest rate and the deadline, which shall be submitted to the general manager and the chairman for approval, and then submitted to the Audit Committee and the board of directors for handling by resolutions.</p> <p>In principle, the Company is still required to conduct assessments and prepare review reports for those who continue to borrow funds.</p>		<p>calculation method, interest rate and the deadline, which shall be submitted to the responsible officer and the chairman for approval, and then submitted to the Audit Committee and the board of directors for handling by resolutions.</p> <p>In principle, the Company is still required to conduct assessments and prepare review reports for those who continue to borrow funds.</p>	
Article 11	<p>Penalties</p> <p>If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the audit personnel or the authority director shall promptly report the violation to the general manager or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.</p>	Article 11	<p>Penalties</p> <p>If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the <u>responsible officer or audit personnel</u> shall promptly report the violation to the chairman or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.</p>	The amendments are made according to the Company's operational needs.

Comparison Table for Amendments to Procedures for Endorsement and Guarantee

Current Articles		Amended Articles		Amendment Explanation
Article	Content	Article	Content	
Article 12	<p>Penalties</p> <p>If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the audit personnel or the authority director shall promptly report the violation to the general manager or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.</p>	Article 12	<p>Penalties</p> <p>If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, <u>except in accordance with the regulations of the competent authority, the authority director or audit personnel</u> shall promptly report the violation to the chairman or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.</p>	<p>The amendments are made according to the Company's operational needs.</p>

VIII. Appendices

Appendix 1

Phison Electronics Corporation Rules of Procedure for Shareholders' Meeting

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

by the attending Shareholders has already constituted more than an aggregate of one-half (1/2) of all shares in issue, the meeting Chairman may put the tentative resolutions already passed to the Shareholders' resolution again in accordance with Article 174 of the Company Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 11: When a shareholder attending the general meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's account number (or the number of attendance card), name of the shareholder and the current shareholding. The sequence of speeches shall be determined by the meeting Chairman.

- Article 12: Shareholders' speeches, each person (including natural persons and legal persons) shall be limited to five minutes. However, with the permission of the meeting Chairman, it may be extended once. In the same proposal, each person (including natural persons and legal persons) shall not speak more than twice. When the legal person is appointed to attend as proxy, it may designate only one person to represent the shareholder in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- Article 13: After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- Article 14: When the speech of any shareholder is too long or outside the scope of the agenda item, the meeting Chairman may stop their speech. The meeting Chairman may command shareholders who disobey the meeting Chairman's correction and impede the process of the meeting to leave the meeting venue.
- Article 15: As the meeting Chairman announced that the discussed proposal shall be terminated or suspended, the chairman may submit them for a vote.
- Article 16: Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. A proposal is deemed to have passed when no attending shareholders gave the dissents after being inquired by the meeting Chairman and the effect thereof is the same as a vote.
- Article 17: Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the meeting Chairman, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting shall be announced on-site at the meeting, and the records shall be made.
- Article 18: In the event amendments or substitutions are provided for in the same proposal, the meeting Chairman may decide the order of the vote including the original proposal. When any one among of them is passed, the other proposals are simultaneously rejected and no further voting shall be required.
- When the written proposal of a shareholder, pursuant to the Article 172-1 of the Company Act, is included in the agenda of the general shareholders' meeting, and if the type of the proposal is similar to the one already proposed by the board of directors, these proposal submissions shall be combined and processed in accordance with the provisions of the preceding paragraph.

The order of the discussion of each proposal brought up in extraordinary motion and the order of the vote shall be decided by the meeting Chairman.

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

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

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

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

The first amendment was made on June 14, 2006.

The second amendment was made on June 13, 2017.

Phison Electronics Corporation
Procedures of Election of Directors

Article 1: Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 2: The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. 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:

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.

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:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

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.

The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.

Article 3: 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 Principles for TWSE/GTSM Listed Companies.

Article 4: Elections of both directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. When the number of directors falls below 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.

When the number of independent directors falls below that required under the proviso of 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

Article 5: 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.

Article 6: For the election of the Company's directors, the Board of Directors shall prepare ballots in the same number of the directors to be elected, specify the number of voting rights associated with each ballot, and distribute them to the shareholders attending the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 7: 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. 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.

Article 8: Before the beginning of the election, the Chairman shall designate a number of shareholders to supervise the casting of the ballots and count the ballots, each of which shall then respectively perform their relevant functions accordingly. The Board of Directors shall prepare a ballot box for the election of directors, which shall be examined in public by the persons supervising the casting of ballots before the ballots are cast

Article 9: Omitted.

Article 10: A ballot is invalid under any of the following circumstances:

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

Article 11: 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 the numbers of votes with which they were elected, shall be announced by the chairman on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation

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

Article 13: These Procedures, and any amendments hereto, shall be implemented after approval by a general meeting.

Articles of Association of Phison Electronics Corporation

Chapter I General Provisions

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

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

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

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

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

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

Article 4: (Deleted).

Chapter II Shares

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

In the first total capital, NT\$290 million was reserved, and the shares were divided into 29 million shares at par value of NT\$10 per share, which is for the issuance of employees' share subscription warrants in order to exercise the subscription right. It shall

be issued separately based on the resolution of the board of directors.

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

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

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

Article 6: (Deleted).

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

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

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

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

Chapter III Shareholders' Meeting

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

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

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

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

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

Chapter IV: Directors and Board of directors

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

The total sum of all registered shares certificates held by all directors shall not be less than that as regulated in "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" from the regulatory authority.

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

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

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

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

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

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

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

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

each director, with reference to the industry standards.

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

Chapter V Manager

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

Chapter VI Accounting

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

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

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

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

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

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

Article 19-1: 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.

Where the above earnings, legal reserves, and capital reserves 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.

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 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.

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 foster sustainable operation and stable development. The dividend distribution of the shareholders of the Company can be distributed in cash dividends or share dividends, in which the proportion of shareholders' cash dividend distribution shall be no less than 10% of the total dividends of the shareholders.

Chapter VII Supplementary Provisions

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

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

The first amendment was made on November 21, 2000.

The second amendment was made on September 5, 2001.

The third amendment was made on February 15, 2002.

The fourth amendment was made on April 9, 2002.
The fifth amendment was made on June 25, 2002.
The sixth amendment was made on March 26, 2003.
The seventh amendment was made on November 12, 2003.
The eighth amendment was made on June 15, 2004.
The ninth amendment was made on March 17, 2005.
The tenth amendment was made on June 16, 2005.
The eleventh amendment was made on June 14, 2006.
The twelfth amendment was made on November 1, 2006.
The thirteenth amendment was made on June 13, 2007.
The fourteenth amendment was made on June 13, 2008.
The fifteenth amendment was made on May 8, 2009.
The sixteenth amendment was made on June 15, 2010.
The seventeenth amendment was made on June 15, 2011.
The eighteenth amendment was made on June 11, 2013.
The nineteenth amendment was made on June 17, 2014.
The twentieth amendment was made on June 2, 2015.
The twenty-first amendment was made on June 15, 2016.
The twenty-second amendment was made on June 13, 2017.
The twenty-third amendment was made on June 12, 2019.
The twenty-four amendment was made on June 3, 2020.
The twenty-fifth amendment was made on July 26, 2021.

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

Section I General

Article 1 Purpose and basis

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

Article 2 Applicable scope

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

Article 3 Scope of assets and terminology

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

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

2 Definitions:

- (1) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts,

- performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- (2) Asset acquired or disposed due to legal merger, demerger, acquisition, or receiving shares: Assets acquired from or disposed through merger, demerger, or acquisition in accordance with Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws and regulations, or receiving IPO shares of other company (herein after referred to as transfer of shares) in accordance with Article 156-3 of the Company Act.
 - (3) Stakeholders/subsidiary: As the Regulations the Preparation of Financial Reports by Securities Issuers may define.
 - (4) Professional appraiser: Real estate property appraiser or other professionals legally permitted for practicing appraisal on real estate property and equipment.
 - (5) Actual occurrence date: a contract execution date, payment date, completion date, ownership transfer date, board of directors' resolution date, or date on which a counterparty and transaction amount become definitely certain, whichever happens earlier. However, for investment that requires approval from the competent authority, an actual occurrence date shall be either the date abovementioned or the date of the said approval, whichever happens earlier.
 - (6) Investment in Mainland China area: An investment made in Mainland China in compliance with the Regulations Governing Approval for Investment or Technical Cooperation in Mainland China Area stipulated by the Investment Commission, Ministry of Economic Affairs.
 - (7) Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
 - (8) Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
 - (9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
3. For the valuation report obtained by the Company or the opinion of the accountants, attorneys or securities underwriters, the professional appraisers and the valuers, the

accountants, attorneys or securities underwriters and the dealing party shall meet the following requirements.

- (1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- (2) May not be a related party or de facto related party of any party to the transaction.
- (3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

Section II Acquisition or Disposal of Assets

Article 4 Evaluation Procedure:

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

1. Securities:

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

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

Where the transaction amount reaches 20% of more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of the occurrence; If the certified public accountant needs to adopt a professional report, the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (hereafter referred to as the "ARDF"). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereafter referred to as the "FSC").

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

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

In acquiring disposing real property, or equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business machinery and equipment or right-of-use assets thereof, shall obtain an appraisal report in advance from a professional appraiser before the date of the occurrence and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, except in the case when the appraisal results of acquiring an asset are higher than the transaction amount, or when the appraisal results of disposing an asset are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - I. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - II. The discrepancy between the appraisal result and the transaction amount is 10% or more of the transaction amount.
- (4) Where an appraisal from professional appraisers is conducted before a contract execution date, no more than three months may pass between the date of the appraisal report and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraise.

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

Acquisition or disposal of intangible Assets or right-of-use assets thereof or memberships shall be conducted after collecting relevant price information and assess regulations. Shall be prudently assess regulations and contract content to determine the transaction price. Acquisition or disposal of memberships shall be conducted after collecting relevant price

information and based on inquiry or parity.

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

4. The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant opinion has been obtained need not be counted toward the transaction amount.

5. Other Major Assets

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

6. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or certified public accountant opinion.

Article 5 Operating Procedure

1. Authorization Limit and Level

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

Item	Amount	Authority			
		Board of Directors	Chairman	General Manager	Division Chief
Long-term securities investment (including long-term equity investment)	Below 80 million (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
	Total amount per level 100 million (excluding) ~ 300 million (including)		Approval	Review	Review

	Total amount per level over 300 million (excluding)	Approval	Review	Review	Review
Real property (or right-of-use assets thereof)	Below 300000 (excluding)				Approval
	300000 (including) ~ 300 million (excluding)		Approval	Review	Review
	Over 300 million (including)	Approval	Review	Review	Review
Equipment (or right-of-use assets thereof)	Below 300000 (excluding)			Approval	Review
	300000 (including) ~ 300 million (excluding)		Approval	Review	Review
	Over 300 million (including)	Approval	Review	Review	Review
Memberships	Below 20 million (excluding)		Approval	Review	Review
	Over 20 million (including)	Approval	Review	Review	Review
Intangible assets (or right-of-use assets thereof)	Below 30 million (excluding)			Approval	Review
	30 million (including) ~ 300 million (excluding)		Approval	Review	Review
	Over 300 million (including)	Approval	Review	Review	Review
Creditor rights in financial institution	Below 100 million (excluding)		Approval	Review	Review
	Over 100 million (including)	Approval	Review	Review	Review
Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law	Shall not be decided by resolution of the Board of Shareholders according to laws	Approval	Review	Review	Review
	Shall be decided by resolution of the Board of Shareholders according to laws	Review	Review	Review	Review
Other major assets	Below 150 million (excluding)		Approval	Review	Review
	Over 150 million (including)	Approval	Review	Review	Review

(2) Pursuant to the Procedures or other laws and regulations, the acquisition or disposal of assets by the Company shall be submitted to the Board of directors for its approval. 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.

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

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

2. Execution Unit

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

(1) Long-term investment in securities, memberships, intangible assets (or right-of-use assets thereof), assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law and other major assets: appraised and executed by the project team through directing of General Manager or Chairman.

- (2) Short-term investment in securities, derivatives and creditor rights in financial institution: appraised and executed by Finance Department.
- (3) Real property (or right-of-use assets thereof): undertaken by General Affair Department.
- (4) Equipment (or right-of-use assets thereof): undertaken by requisition unit with General Admin. Department.
- (5) Public announcement and declaration: the public announcement and declaration personnel engage the undertaker to consolidate relevant information of public announcement and declaration and manage wholly.

3. Transaction Process

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

Article 6 Total Assets and Individual Limit

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

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

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

1. The Company shall urge the Subsidiaries to prepare and execute the Disposal Procedure for the Acquisition or Disposal of the Assets. After this procedure is adopted by the subsidiaries' Board of Directors, it shall be submitted to the supervisors and the shareholders meeting for approval. The same shall apply to the amendment of this procedure.
2. Control on procedures for the acquisition or disposal of assets of subsidiaries by the Company, shall be handled in accordance with relevant laws and Internal Control System of the Company.
3. The subsidiaries of the Company are not domestic public offering companies, thus the acquisition or disposal of assets shall be reported or announced by the Company in accordance with the provisions of Section 5.

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

Section III Procedures for Related Party Transactions

Article 8 Scope

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

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

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

Article 9 Resolution Procedure

When the company intends to acquire or dispose of real property , or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets or right-of-use assets thereof other than real property from a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or domestic bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the board of directors:

1. The purpose, necessity and anticipated benefits of the asset acquisition or disposal.
2. The reason for choosing the Related Party as a trading counterparty.
3. With respect to the acquisition of real property from a Related Party, or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 10 and 11.
4. The date and price at which the Related Party originally acquired the real property, the original counterparty and the trading counterparty's relationship with the Company and the Related Party.
5. Monthly cash flow forecasts for the year commencing from the month of anticipated signing of the contract and evaluation of the necessity of the transaction and reasonableness of the use of proceeds.
6. Obtain an appraisal report in advance from a professional appraiser or engage a certified public accountant to render an opinion pursuant to the preceding paragraph.

7. Restrictive and other important stipulations associated with the transaction.

The amount of transactions above shall be calculated in compliance with the procedures set out in paragraph 2 of Article 19, “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board need not be counted toward the transaction amount.

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

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

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.

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

Article 10 Assessment procedures

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

1. Based upon the related party’s transaction price plus necessary interest on funding and the costs to be duly borne by the buyer in accordance with the law. “Necessary interest on funding” is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution’s appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The company acquires real property or right-of-use assets thereof from a related party and

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

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

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

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

When the results of the company's appraisal conducted in accordance with the paragraphs 1 and 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with the provisions of Article 12. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA has been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practice.
2. Where the company acquires real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction

are similar to the terms of transactions completed for the acquisition of neighboring real property of a similar size by unrelated parties within the preceding year.

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

Article 12 Procedures 2 in case of the assessment result uniformly lower than the transaction price
Where the company acquires real property or obtainment of the right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the provisions of preceding 2 Articles are uniformly lower than the transaction price, the following steps shall be taken.

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

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

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

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

Article 13 Resolution Procedure

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

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

3. The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

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

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

- (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

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

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

Article 14 Non-disclosure commitment

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

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

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

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

Article 16 Contents of a contract

The contract for participation by the company in a merger, demerger, acquisition, or

transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

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

Article 17 Changes of companies participated in

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

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

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

Section V Procedures for the Information Disclosure

Article 19 Public Announcement and Declaration Procedure

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

1. Acquisition or disposal real property or right-of-use assets thereof from a Related Party, or in acquiring or disposing any other asset than the real property or right-of-use assets

thereof with a Related Party and also the transaction amount reaches 20% of paid-in capital, 10% of the total assets or NT\$300 million or more; Provided, however, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by securities investment trust enterprise.

2. Merger, demerger, acquisition, or transfer of share.
3. The loss of trading derivatives reaches the limit for all or individual contract set forth by the Procedures for Engaging in Derivatives Trading.
4. Where the type of asset acquired or disposed is equipment for business use or right-of-use assets thereof and the trading counterparty is not a Related Party, the transaction amount shall meet one of the following conditions:
 - (1) For the public companies with paid-in capital less than NT\$10 billion, the transaction amount is NT\$ 500 million or more.
 - (2) For the public companies with paid-in capital more than NT\$10 billion, the transaction amount is NT\$1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, the amount the Company expects to invest in the transaction reaches NT\$500 million.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:
 - (1) Trading of domestic government bonds.
 - (2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the primary market, (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - (3) Trading of bonds under repurchase/resale agreements and the purchase or redemption of domestic money market funds issued by securities investment trust

enterprise.

The amount of transactions above shall be calculated as follows:

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

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

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

When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 20 Other important matters

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

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

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

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

Section VI Supplementary Provisions

Article 21 Penalties

Any director 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.

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

Article 22 Revision procedure

The Company shall establish the Procedures according to the Regulations, which shall be implemented after it is resolved by the Audit Committee and the Board of Directors, and approved at the shareholders meeting, and the same to amendment.

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.

Establishment or amendment of the procedure for acquisition and disposal of assets shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

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

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

positions.

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

Article 23 Other Important Issues

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

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

Article 1 Purpose

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

Article 2 Entities to which the Company may loan funds

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

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

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

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

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

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

Article 3 Evaluation standards for loaning funds to others

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

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

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

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

Article 5 Duration of loans and calculation of interest

1. The term of each loan extended by the Company and its Subsidiaries shall not exceed one year.
2. The interest rate shall be not less than the Company's highest funding costs. The interest shall be settled monthly or settled in a lump sum upon the due date.

Article 6 Procedures for handling loans of funds

1. Application procedures
 - (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. The Financial Department shall be evaluated with and subject to the Regulations announced by FSC and the Procedures, and then submitted, together with the result of the evaluation made as described in the Article 7, as well as the review report prepared, shall be review by general manager and chairman and submitted it to the Audit Committee and the Board of Directors for approval and no delegation shall be made to any person in this regard. The procedures

shall comply with Paragraph 4 and 5, Article 14..

(2) When fund lending to Subsidiaries is contemplated by the Company or its Subsidiary, an approval from the Audit Committee and the Board shall be obtained according to the preceding subparagraph, 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.

(3) For the amount as mentioned in the preceding subparagraph, 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.

(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.

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.

3. Sign Confirmation

For fund loan cases, the financial and legal department shall draw up the contract terms according to approved terms, which shall then be audited by the competent department, and then apply for necessary processes such as the signing and cross collateral.

4. Acquisition of collateral and security

(1) Where any collateral is needed in the fund loan conditions, the borrower shall provide the collateral and the legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.

(2) All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The borrower shall provide and maintain an updated and valid insurance.

5. Grant

After the fund loan case is approved and the contract is signed by the borrower and the promissory note is sent for deposit (or installment repayment), and after the collateral (pledge) charge set registration is completed, and all the procedures are checked without errors, the funds can be released.

6. Documentation and custody

The Company shall set up a memorandum book for reviewing for the loan procedures. The object and amount concerned with the funds lending, the approval date by the board of directors, the release date of funds, as well as the matters that should be

carefully evaluated according to the provisions of the paragraph 1 of Article 1 shall be recorded in detail for review.

Article 7 Detailed review procedures

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

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

After accepting the application, the Company shall assess the necessity and rationality of conducting funds lending to other parties.

2. Credit and risk assessment of the lending parties

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

3. Acquisition of collateral and the appraisal value of collateral

The Company shall require the borrower to provide collateral depending on the actual needs and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.

4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity

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 loaning conditions, including the interest rate calculation method, interest rate and the deadline, which shall be submitted to the general manager and the chairman for approval, and then submitted to the Audit Committee and the board of directors for handling by resolutions.

In principle, the Company is still required to conduct assessments and prepare review reports for those who continue to borrow funds

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

1. Once drawdown on a loan has been made, the financial 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.

2. When the borrower is making a repayment upon or prior to maturity, the interest shall first be calculated and repaid together with the principal, before the cancellation and return of the relevant evidence of claim to the borrow or the cancellation of the mortgage registration.

3. The borrower shall pay the principal and interest when the loan is due. If the borrower is failure to pay the loan in due and needs to postpone the payment, it is necessary to make a request in advance and report to the Audit Committee and the board of directors for approval. The extension of each loan shall not be more than three months and shall only be subject to an extension and the period for the total amount of the loan (including the extension period) shall not exceed one year. The Company shall report the offender to the legal department at once, and make punishment and recourse as to the collateral or guarantor according to the law.

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

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

Section 10 Information Disclosure

1. The company shall announce and report the previous month's loan balances of the Company and its subsidiaries by the 10th day of each month.
2. The company whose loans of funds reach one of the following levels shall announce and report such event within two days from its occurrence:
 - (1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.
 - (2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.
 - (3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.
3. If there is any reporting and announcement described in Subparagraph 3 of the preceding paragraph required for the Company's subsidiary, which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.
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.

Article 11 Penalties

If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the audit personnel or the authority director shall promptly report the violation to the general manager or the board of directors, who shall, as the case may be, give appropriate punishment to the person concerned.

Article 12 Audit

Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee, as well as each independent director in writing.

Article 13 Miscellaneous

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

Article 14 Implementation and Amendment

The Procedures shall be implemented after it is resolved by the Audit Committee and the Board of Directors, and approved at the shareholders meeting. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall report the dissenting opinion to the shareholders meeting for discussion, and the same to amendment.

When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting.

When the procedures are adopted or amended, they shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. In the preceding paragraph shall not apply.

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.

"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.

Article 15 Other important matters

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

Phison Electronics Corporation
Procedures for Endorsement and Guarantee
(Before Amendment)

Article 1 Purpose

To strengthen the financial management of endorsements and guarantees and reduce the risk of operation, the Procedures are formulated specially according to Paragraph 1, Article 36 of Securities Exchange Act (hereinafter referred to as “the Act”) and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (hereafter referred to as “the Regulations”) of Financial Supervisory Commission (hereafter referred to as the “FSC”), and shall comply with these Procedures.

Article 2 Scope

1. The scope of endorsements/guarantees used herein is as follow:
 - (1) Financing endorsements/guarantees, including:
 - i . Bill discount financing.
 - ii . Endorsement or guarantee made to meet the financing needs of another company.
 - iii . Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
 - (2) Endorsements/guarantees of custom duties due from the Company or other companies.
 - (3) Other endorsements/guarantees that are not classified as prior two types.
2. The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company’s loan, shall be carried out in accordance with the Procedures.

Article 3 Entities for which the Company may make endorsement or guarantees

1. The Company may make endorsements/guarantees for the following companies:
 - (1) A company with which the Company does business.
 - (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
 - (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
2. Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements or guarantees may not exceed 10% of the net worth of the Company;

provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

3. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the public company holds 100% of the voting shares.
4. "Capital contribution" referred to in the paragraph sentence shall mean capital contributed directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 4 Evaluation criteria for endorsements/guarantees

Where an endorsement/guarantee is made due to needs arising from business dealings, in addition to Article 5 that should be followed, evaluation standards shall be specified for determining whether the amount of an endorsement/guarantee is commensurate the total amount of trading between the two companies.

Article 5 The ceilings on amount of endorsement/guarantee

The amount of endorsement/guarantee provided by the Company is subject to the following limits:

1. The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 40% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
2. The amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
3. The endorsement or guarantee amount should not exceed past 12 months of total amount of transactions from the company with which the Company does business (The amount of business transactions refers to the amount of purchase or sales between the two parties, whichever is higher) and shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.

The amount of endorsement/guarantee provided by the Company and its subsidiaries is subject to the following limits:

1. The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 40% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
2. The amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.
3. The endorsement or guarantee amount should not exceed past 12 months of total amount of transactions from the company with which the Company does business (The amount of business transactions refers to the amount of purchase or sales between the two parties, whichever is higher) and shall not exceed 20% of the net worth of the most recent financial statements certified or reviewed by the accountant certified public of the Company.

Article 6 Procedures for handling endorsement/guarantee

1. Application procedures

For handling endorsement/guarantee, the Company shall submit an application form specifying the purpose, the amount of the endorsement/guarantee, and the assurance provided, and attach necessary documents of the company information and financial information. The financial department shall review whether the assessment is in compliance with handling standards prescribed by FSC and these Procedures; and shall conduct details examination in accordance with Article 7 with a review report submitted to the Chairman of the board of directors for approval and proceeding in accordance with Article 9. The approved endorsement and /or guarantee shall be reported to the most recent Audit Committee and board of directors' meeting for a complement ratification.

2. Notice of endorsement/guarantee

After approval of endorsement/guarantee, the financial department shall inform the guaranteed company by letter or by telephone, and ask the company who needs to obtain collateral by assessment to carry out the (pledge) mortgage procedures within the time limit, only after then can the relevant documents such as the endorsement/guarantee contract or the guarantee bill submit to the chop custody person or issue notes.

3. Acquisition of collateral and security

- (1). Where any collateral is needed in handling endorsement/guarantee, the Company shall handle the pledge or mortgage to protect the rights of the Company.
- (2). All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The

endorsed and guaranteed company shall provide and maintain an updated and valid insurance.

4. Documentation and custody

The Company shall establish and maintain a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the Chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of Article 9.

Article 7 Detailed review procedures

When the Company deals with endorsement/guarantee, the following review procedures shall be followed:

1. The necessity and rationality of endorsement and guarantee

After accepting the application by endorsed and guaranteed company, the Company shall assess the necessity and rationality of conducting the endorsement and guarantee.

2. Credit and risk assessment on endorsement/guarantee

After accepting the application by endorsed and guaranteed company, the Company shall investigate and evaluate as to the purpose of the business, financial status and endorsement/guarantee purpose of the guaranteed object by.

3. Acquisition of collateral and the appraisal value of collateral

The Company shall request the guaranteed company to provide collaterals and shall, in advance, carry out the assessment of the personal property or real estate property value of the proposed mortgage.

4. Assessment on the impact towards the Company's operating risk, financial position and shareholders' equity

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.

If it is a continuing endorsement/guarantee, in principle, the review shall be done and a review report shall be prepared once a year.

Article 8 The usage and custody of a chop

The Company shall maintain a chop as the dedicated chop for endorsements /guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors and may be used to seal or issue negotiable instruments only in prescribed procedures.

In the case of endorsement/guarantee for a foreign company, the letter of guarantee issued by the company shall be signed by the person who is authorized by the board of directors.

Article 9 Hierarchy of decision-making authority and delegation thereof

1. When the Company makes any endorsement and/or guarantee, the financial department shall carefully assess it whether be consistent with the Regulations formulated by FSC and the provisions of the Procedures. A pre-determined limit together with the assessment result of Article 7 may be delegated to the Chairman by the Board of Directors to facilitate execution according to Article 9 and such endorsement /guarantee shall be reported to the most coming Audit Committee and Board of Directors' Meeting for ratification. The limit shall not exceed the amount that set forth in Article 5 of endorsement/ guarantee provided by the Company.

Before making any endorsement/guarantee pursuant to a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution according to paragraph 2 of Article 3; provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

When the Company makes endorsements and/or guarantees for the companies, it shall take into full consideration each Independent Director's opinions; Independent Directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board meeting.

2. In case the above limits have to be exceeded to accommodate business needs, a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

It shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 10 Procedures for managing endorsement or guarantee by subsidiaries

1. Where the Company's Subsidiary intends to make endorsements/guarantees for others, it shall formulate its own operational procedures for endorsements/guarantees in compliance with the Regulations formulated by FSC and shall comply with its procedures when making endorsements/guarantee.

2. When making endorsements/guarantees for others is contemplated by the Subsidiary of the Company, the Subsidiary shall provide related information to the Company and take into account of the relevant personnel before carrying out the endorsements/guarantees procedure.
3. After the endorsements/guarantees are made by the subsidiary, the subsidiary shall regularly report the follow-up situation of the amount of endorsements/guarantees to the Company.

Section 11 Information Disclosure

1. The company shall announce and report the previous month's balances of endorsements/guarantees of the Company and its subsidiaries by the 10th day of each month.
2. The company whose endorsements/guarantees reach one of the following levels shall announce and report such event within two days from its occurrence:
 - (1) The aggregate balance of endorsements/guarantees to others by the Company and its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.
 - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, used equity method investment account amount, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.
 - (4) The amount of new endorsements or guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

If there is any reporting and announcement required for the Company's subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.

3. The Accounting Unit shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing.

Article 12 Penalties

If the Company managers and persons-in-charge violate the Regulations formulated by FSC or the Procedures, the audit personnel or the authority director shall promptly report the violation to the general manager or the board of directors, who shall, as the

case may be, give appropriate punishment to the person concerned.

Article 13 Audit

Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee, as well as each independent director in writing.

Article 14 Miscellaneous

1. The subsidiaries and parent companies referred in the procedures, shall be defined in accordance with the guidelines for Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. The net value referred in the procedures, shall refer to the equity in the balance sheet attributable to the owners of the parent company as stipulated in the guidelines for preparation of the financial statements of the issuer of securities.
3. The announcement referred in the procedures, refers to the announcement reported to the website of the information designated by the FSC.
4. "Date of occurrence" in these Procedures means the date of signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of endorsements/guarantees and monetary amount, whichever date is earlier.
5. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Regulations and the procedures, or the amount of endorsement/guarantee exceeds the limit, the company shall adopt rectification plans and submit the rectification plans to the Audit Committee, as well as each independent director in writing, and shall complete the rectification according to the timeframe set out in the plan.
6. The Company shall not make endorsements or guarantees to the Subsidiary's net worth below 50% of issued capital.

In the case of a Subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the aforementioned calculation, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 15 Implementation and amendment

The Procedures shall be implemented after it is resolved by the Audit Committee and the Board of Directors, and approved at the shareholders meeting. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall report the dissenting opinion to the shareholders meeting for discussion, and the same to amendment.

When the procedures are submitted to the Board of Directors, the opinion of each independent director shall be considered fully, and the independent director had objects shall be included in the minutes of the Board Meeting.

When the procedures are adopted or amended, they shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. In the preceding paragraph shall not apply.

In the preceding paragraph, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

Paragraph 3 as used in "All audit committee members" and "all directors" as used in the preceding paragraph, shall mean the actual number of persons currently holding those positions.

Article 16 Other important matters

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

Phison Electronics Corporation
Current Shareholding of Directors

1. The statutory shareholding of directors of the Company is as follows:

Types and total number of shares issued by the Company: 197,073,993 common shares.

Statutory minimum number of shares held by all directors is 11,824,439 shares.

As the Company has established the Audit Committee, statutory shares held by supervisors are not applicable.

2. As of March 26, 2022, the book closure date of the general shareholders' meeting, the number of shares held by all directors:

Record date: March 26, 2022

Position	Name	Current shareholding (shares)	Representative
Chairman	Cheng He Investment Co., Ltd	2,383,000	Wee Kuan Gan
Director	Chee Kong Aw Yong	3,463,745	
Director	Tzung Horng Kuang	1,413,736	
Director	Jiunn Yeong Yang	4,549,114	
Director	KIOXIA Corporation	19,821,112	Hiroshi Miyauchi
Independent Director	Wen Chiu Chung	0	
Independent Director	Chen Wei Wang	0	
Independent Director	Yu Lun Huang	0	
Number of shares actually held by all directors		31,630,707	
Shareholding ratio of total issued shares (%)		16.05	

The effect of dividend distributions for the current fiscal year on the Company's operating performance, earnings per share, and return on equity : Not Applicable.

Phison Electronics Corporation



Chairman: Wee Kuan Gan



The background of the entire page is a dark, blue-toned aerial photograph of a city at night. The city lights are visible, creating a grid-like pattern of light and shadow. Overlaid on this image is a large, semi-transparent pattern of hexagons in a lighter shade of blue. The hexagons are arranged in a honeycomb pattern, with some appearing slightly more prominent than others, creating a sense of depth and texture. The overall aesthetic is modern and technological.

PHISON

No. 1, Qun Yi Rd., Zhunan, Miaoli,

Taiwan 35059, R.O.C.

TEL : 037-586896

www.phison.com