

# 2022 Annual General Shareholders' Meeting of DFI Inc.

**Meeting Mode:** Physical Shareholders' Meeting  
**Meeting Time:** 9:00 a.m., June 17, 2022 (Friday)

**Meeting Venue:** a meeting room of the Place Taipei, F/10, 196 Jingmao 2nd Road, Nangang District, Taipei City

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# I. Reports

## (I) 2021 Business Report

### **Outcomes in Implementation of the Business Plan in 2021**

The whole world was still impacted by COVID-19 in 2021. Although vaccine coverage gradually increased, there was still a shortage of logistics services and raw materials. In response to these challenges, DFI actively communicated with its customers to keep close connections with them in addition to constantly developing and launching new products, in order to address material shortage of the global supply chain and seek solutions.

The gradual advent of the post-pandemic era further facilitated the needs for automation. To avoid contacts between people, many retail systems were transformed into unmanned services or self-services. Moreover, it was urgent for factories to promote automation of their production lines, so demands for industrial computers increased accordingly.

Besides, DFI constantly strove for perfection in deploying vehicle-borne applications. For vaccine transportation, numerous refrigerated vehicles were needed, and their temperature should be remotely monitored to assure vaccine quality. The mobile monitoring applications cannot only be connected to networks but are also highly stable with powerful resistance to high/low temperature and vibration. They have transcended ordinary industrial computers in satisfying technology and quality requirements for vehicles.

DFI has been engaged in studying the Internet of Everything applications for years. In respect of edge computing products, it has put forward a multi-platform proposal. Based on this proposal and in combination with DFI's complete software and firmware support, customers can develop their application programs for remote monitoring over a short period of time, in order to reduce maintenance and repair costs. In addition, because of no personnel movement, the chance of virus spread, or personnel loss was lowered. Thus, a win-win situation was created between the Company and its customers.

In 2021, DFI's consolidated net revenue amounted to NT\$13.211 billion and grew by 58% compared with that of 2020. The consolidated operating profit reached NT\$526 million, and the consolidated earnings after tax amounted to NT\$782 million, with a growth of 64% compared with that of the preceding year. The net profit attributable to owners of the parent company was NT\$616 million, and the after-tax earnings per share amounted to NT\$5.38.

**Financial revenues, expenditures and profitability are analyzed as follows:**

Analysis item		Year					Financial analysis for the last five years				
		2017	2018	2019	2020	2021					
Financial structure	Debt ratio (%)	25.40	31.88	37.89	37.73	55.30					
	Ratio of long-term capital to property, plant, and equipment (%)	541.14	345.56	174.28	170.20	215.89					
Profitability	Return on total assets (%)	10.16	13.64	9.44	5.86	7.86					
	Return on equity (%)	13.26	19.17	14.52	9.19	14.84					
	Ratio of income before tax to paid-in capital (%)	46.64	68.90	68.73	53.51	85.96					
	Net profit margin (%)	11.25	11.62	8.85	5.72	5.92					
	Earnings per share (NT\$)	3.65	5.28	5.51	3.54	5.38					

**2022 business and R&D plans are as follows:**

- (1) Business policies and R&D plan
  1. To foster capabilities of integrating CPU and designing FPGA, to provide more diverse customized services.
  2. To continuously and deeply study efficient miniaturized products with low power consumption.
  3. To make open-source OS open for connection and improve friendly development environment for software of OS.
  4. To collaborate with medical customers to exactly satisfy their needs.
  5. To improve specifications, including wide temperature/pressure range, and resistance to water/dust/vibration.
- (2) Important business policies
  1. Development layout for emerging markets
 

In addition to its market layout in advanced countries such as Europe, United States and Japan, DFI will continue striving to look for suitable dealers or existing customers in respect of Asia and South America. For emerging markets, it will make long-term investments and increase its local market shares.
  2. Improve product and cyber security standards
 

With the emergence of the industrial Internet of Everything, problems with cyber security have occurred. How to avoid product loss has become the greatest concern in the market. DFI has introduced IEEE & IEC certification standards for cyber security into its product design processes to make customers feel at ease.
  3. Service promotion for custom mainboards
 

Small quantity and diversity have been always the most important features of industrial computers. DFI provides custom motherboard services and rapidly drafts custom solutions based on existing mainboards. It assists with customers' material management and version control in their product life cycles, to save customers' time for hardware development and maintenance, in order to maintain long-term cooperation with customers.

In 2022, demands for high performance computing, networks with high transfer security and highly intelligent GPU are elements which are fairly necessary for future industrial upgrading. In the future, DFI will particularly focus on planning green energy, automation, financial technologies, intelligent medicine, intelligent services, data centers and intelligent transport.

It will keep on playing critical roles in waves of transformation, lead development of core technologies, and motivate industrial growth. Lower multiple parties' operating costs by intelligence and automation, to increase production capacity. In the next ten years, DFI will affect multiple parties' strategic value chains, business plans and workforce development, where tremendous business opportunities for application of industrial computers are detectable. In addition, it will constantly enhance its existing product advantages and business constitutions. Dependent upon its R&D team's rich experience, product attractiveness and technological competence, DFI will keep itself informative about future trends, lay a solid foundation for competition and solve customers' pain points. It will comprehensively extend its management, train talents, enhance its corporate social responsibilities, and promote corporate governance as well as strategic transformation and upgrading to satisfy expectations of its employees, shareholders, customers and interested parties, in order to lay a more solid foundation for future revenue growth and move ahead towards sustainable business operations.

With you good health and everything goes well!

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

## **(II) Audit Committee's Review Report**

For the 2021 financial statements prepared by the Company's Board of Directors, accountants Hui-Chen Chang and Ching-Min Kao of KPMG, jointly issued an audit report as entrusted by the Board of Directors. The aforementioned financial statements, business reports, accountants' audit report and proposal for distribution of earnings were reviewed by our Audit Committee, and no non-conformity was detected. They are hereby specially presented for review and verification in accordance with Clause 4, Article 14 of the Securities Exchange Act and Article 219 of the Company Act.

To  
the 2022 Annual General Shareholders' Meeting of DFI Inc.

Convener of the Audit Committee: Kuang-Jen Chou

March 3, 2022

### **(III) 2021 Reports on Distribution to Employees and Directors as Remuneration**

As resolved by the Board of Directors on March 3, 2022, the remuneration distributed to employees and directors in cash amounted to NT\$53,437,000 and NT\$5,685,000 respectively.

### **(IV) Status Reports of the Cash Dividends for Distribution of 2021 Earnings**

1. According to Clause 1, Article 21 of the Articles of Incorporation, if the earnings are distributed in the form of cash dividends, the Board of Directors may be authorized to pass a resolution in respect of such distribution and report it at a shareholders' meeting.
2. Pursuant to the resolution of the Board of Directors on March 3, 2022, of the distributable earnings accumulated in 2021, NT\$366,364,342 was appropriated for distribution as cash dividends, with NT\$3.2 distributed per share round up to the dollar. The sum of fractional amount rounded should be included in other income of the Company.
3. This proposal was approved with the resolution of the Board of Directors, while the Chairman was authorized to additionally determine ex-dividend date, payment date and other matters. In the event that any amendment shall be made due to any abnormal change in the payout ratio caused by any change in the number of the Company's outstanding shares, the Chairman will be fully authorized to cope with relevant matters.

### **(V) 2021 Proposal for Distribution of Capital Reserves in Cash**

1. Based on Clause 2, Article 21 of the Articles of Incorporation of the Company, the Board of Directors shall be authorized to pass a resolution and report it at a shareholders' meeting if the capital reserves are distributed in cash.
2. As resolved by the Board of Directors on March 3, 2022, NT\$45,795,543 was appropriated from the capital reserves of premiums of ordinary shares issued beyond their carrying amount for distribution to shareholders in cash. NT\$0.4 per share was distributed round up to dollar. The sum of the fractional amount rounded would be included in other income of the Company.
3. This proposal was approved with the resolution of the Board of Directors, while the Chairman was authorized to additionally determine ex-dividend date, payment date and other matters about distribution of capital reserves. In the event that any amendment shall be made due to any abnormal change in the distribution amount per share caused by any change in the number of the Company's outstanding shares, the Chairman will be fully authorized to cope with relevant matters.

## **II. Acknowledgments and Discussions**

Case 1

Cause of action: Adoption of the 2021 financial statements and business report. (Proposed by the Board of Directors)

Explanation:

- I. The 2021 financial statements of the Company were audited by accountants Chang-Hui Chen and Kao-Ching Min of KPMG, who concluded that the financial statements fairly presented financial situation of DFI Inc. as of December 31, 2021, financial performances and cash flows of the Company in 2021. The accounts also reviewed the business report enclosed.
- II. For the accountants' audit report and financial statements, please refer to Attachment I (page9-28).

Resolution

Case 2

Cause of action: Adoption of the proposal for distribution of 2021 earnings (Proposed by the Board of Directors)

Explanation: The Company's net profits after tax in 2021 amounted to NT\$615,903,212.  
The 2021 earnings are expected to be distributed as follows:

<b>Distribution of 2021 Earnings</b>		<b>Unit: NT\$</b>
<b>Net profit after tax</b>		<b>615,903,212</b>
Minus:	Actuarial loss of the defined benefit plan accounted as retained earnings	(215,331)
	Appropriation of legal reserve	(61,568,788)
	Appropriation of special reserve	(40,215,647)
<b>2021 distributable earnings</b>		<b>513,903,446</b>
Plus:	Opening undistributed retained earnings	15,053,731
Minus:	Adjustment of retained earnings for investments made by equity method	(149,828,298)
	Retained earnings for debit in canceling treasury stocks	(9,814,468)
<b>Distributable earnings accumulated as of 2021</b>		<b>369,314,411</b>
<b>Distributions:</b>		
	<b>Shareholders' cash dividends (NT\$3,200 to be distributed for each share)</b>	(366,364,342)
<b>Closing undistributed earnings</b>		<b>2,950,069</b>

Note: Cash dividends are distributed based on shareholders' shareholding ratio recorded on the members' register on the ex-dividend date (round up to the dollar). The sum of fractional amount rounded shall be accounted as other income of the Company.

Chairman : Chi-Hung Chen      President: Chia-Hung Su      Accounting Supervisor: Li-Min Huang

Resolution:

Case 3

Cause of action: Discussion of amendment to the Articles of Incorporation. (Proposed by the Board of Directors)

Explanation:

- I. In combination with Hua Zong Yi Jing Zi No.11000115851 Letter dated December 29, 2012, amend some clauses of the Articles of Incorporation.
- II. For comparison of the clauses before and after amendment, please refer to Attachment II (page29)

Resolution:

#### Case 4

Cause of action: Discussion of the Process for Acquiring or Disposing of Assets. (Proposed by the Board of Directors)

Explanation:

- I. To amend some clauses of the Norm for a Public Listed Company's Acquisition or Disposal of Assets, abolish the Company's Process for Acquiring or Disposing of Assets amended on August 20, 2021, and formulate a new process according to Jin Guan Zheng Fa Zi No.1110380465 Letter issued by the Financial Supervisory Commission on January 28, 2022.
- II. For the clauses to be abolished, please refer to Attachment III (page30-41), and for the clauses to be reformulated, please refer to Attachment IV (page42-53).

Resolution:

#### Case 5

Cause of action: Discussion of the Proposal for Relieving Non-competition Constraints upon Current Directors and Their Representatives. (Proposed by the Board of Directors)

Explanation:

- I. According to Article 209 of the Company Act, for any acts committed by the directors or others within the business scope of the Company, explanations shall be made at a shareholders' meeting with respect to important parts of their acts, and approval shall be obtained for committing the acts.
- II. Any directors of the Company who invest in or run other companies engaged in businesses which are the same as or similar to the Company's shall lawfully report to the shareholders' meeting for consent.
- III. As to the Proposal for Relieving Non-competition Constraints upon Current Directors and Their Representatives, please refer to Attachment V (page54)

Resolution:

## **III.Extraordinary motions:**

## **IV.Adjournment**

# **Annex I Accountants' Audit Report and Financial Statements**

## **Independent Auditors' Report**

The Board of Directions and Shareholders DFI Inc.

### **Audit Opinion**

We have audited the accompanying consolidated financial statements of DFI Inc. and its subsidiaries (hereinafter "the Group"), which comprise the consolidated balance sheets as of December 31, 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion which based on our audit results and the other certified public accountants' audit reports (please refer to the paragraph of other matter), 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 year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for opinion**

We conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and other certified public accountants' audit reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of DFI Inc. and its subsidiaries' consolidated financial statements for the year ended December 31, 2021. 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. Key audit matters that we judge should be communicated in the audit reports are stated as follows:

#### **I. Inventory valuation**

For accounting policies related to inventory valuation, please refer to Note IV (VIII) of the consolidated financial statements; for uncertainty of accounting estimates and assumptions of inventory valuation, please refer to Note V (I) of the consolidated financial statements; for situation of inventory price loss provision, please refer to Note VI (VI) of the consolidated financial statements.

Key audit matters are stated as follows:

Inventories are subsequently measured by the lower of cost and net realizable value Due to the rapid development of technology, the original material in stock may no longer meet the market demand, or the sales price may fall due to competition, resulting in the cost of inventory may exceed its net realizable value; the assessment of net realizable value involves the subjective judgment of the management, and, therefore, the inventory evaluation is one of the material evaluation matters for us to perform the audit of the consolidated financial statements of the Group.

The audit procedures to process for the above:

Our main audit procedures for the above-mentioned key audit matters include reviewing the inventory aging reports provided by the Group and analyzing situation in inventory age changes; checking the correctness of the inventory aging reports by sampling; evaluating the inventory valuation and confirming that it has been processed in accordance with the established accounting policies of the Group; assessing the reasonableness of the impairment losses on inventories which was set aside by the management previously.

## II. Business combinations

For accounting policies related to business combinations, please refer to Note IV (XIX) of the consolidated financial statements; for description of business combinations, please refer to Note VI (VIII) of the consolidated financial statements.

Key audit matters are stated as follows:

For the year ended December 31, 2021, the Company acquired 35.09% of Brainstorm Corporation's ordinary shares and special shares, and according to the investment agreement between both parties and the Articles of Association of Brainstorm Corporation, the Company has acquired 55.29% of the voting rights and more than half of the seats at the Board of Directors, and, therefore, it has taken control of Brainstorm Corporation. Due to the accounting treatment of business combination, the management needs to determine the fair value of identifiable acquired assets and liabilities assumed; the process involves many assumptions and estimates with complexity, so the business combination is one of the material evaluation matters for us to perform the consolidated financial statements of the Group.

The audit procedures to process for the above:

Our main audit procedures for the above-mentioned key audit matters include obtaining the fair value assessment and the purchase price allocation of intangible assets reports entrusted by the management to external experts, and assessing the assets and liabilities identified by management at the acquisition date and the reasonableness of their evaluations; appointing our experts of evaluation to assist in assessing the reasonableness of the evaluation methods and material assumptions used in the evaluation; we also assess the correctness of the accounting of the Group and whether the relevant information about the acquisition has been properly disclosed.

## III. Impairment Assessment of Goodwill

For accounting policies related to impairment of non-financial assets, please refer to Note IV (XIII) of the consolidated financial statements; for description of the uncertainty of accounting estimates and assumptions of impairment assessment of goodwill, please refer to Note V (III) of the consolidated financial statements; for description of impairment test of goodwill, please refer to Note VI (XI) of the consolidated financial statements.

Key audit matters are stated as follows:

The Group's goodwill arising from business combinations should be tested for impairment annually, or whenever there is an indication of impairment. Due to assessing the recoverable amount of the cash-generating unit to which goodwill belongs involves a number of management assumptions and estimates, the goodwill impairment assessment is one of the important assessment matters for us to perform the audit of the consolidated financial report of the Group.

The audit procedures to process for the above:

Our main audit procedures for the above key audit matters include obtaining a goodwill impairment assessment test form self-assessed by the management; evaluating the basis of estimates and key assumptions used by the management to measure the recoverable amount, including reasonableness of discount rates, expected revenue growth rates, and future cash flow forecast, etc.; processing sensitivity analysis for key assumptions, and checking whether the Group have properly disclosed relevant information on goodwill impairment assessment.

## **Other Matters**

Among the subsidiaries listed in the Group's consolidated financial statements, partial subsidiary's financial statements were not audited by us but by other certified public accountants. Therefore, our opinions expressed in the consolidated financial statements regarding the amounts of that partial subsidiary are according to other certified public accountants' audit reports. That subsidiary's total assets amounted to \$277,176 thousand in New Taiwan Dollars (same as below) as of December 31, 2021, accounting for 2.25% of the consolidated total assets, and its net operating revenue was \$739,706 thousand for the year ended December 31, 2021, accounting for 5.6% of the consolidated net operating revenue.

The consolidated financial statements of the Group for the year ended December 31, 2020 were audited by other accountants, which issued an audit report with unqualified opinion plus other matter paragraph on March 22, 2021.

DFI Inc. has prepared the parent company only financial statements as of and for the years ended December 31, 2021, and 2020 on which we and other accountants have individually issued an audit report with unqualified opinion plus other matter paragraph for reference.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statement**

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the 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 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. If the individual amounts or sums that the material misstatement involved may be reasonably expected to affect the financial decision making of users of the consolidated financial statements, such misstatement will be considered material.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We are 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 the 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 DFI Inc. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit proof of the financial information of the Group's constituents so as to express opinions on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our opinion to the group.

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 the key audit matters of the DFI Inc. and its subsidiaries' consolidated financial statements for the year ended December 31, 2021. 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.

**KPMG**

Certified Public Accountant:

Assurance Document Number  
Approved by Securities Regulator

(88) Taiwan-Finance-Securities-VI-  
: 18311  
Financial-Supervisory-Securities-  
Audit-1060005191

March 3, 2022

**DFI Inc. and its subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

	<b>Assets</b>	<b>2021.12.31</b>		<b>2020.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note VI (I))	\$ 1,521,790	12	1,922,245	24
1110	Financial assets at fair value through profit or loss - current (Notes VI (II))	28,528	-	28,221	-
1136	Financial assets at amortized cost - current (Notes VI (IV) & VIII)	1,708	-	1,708	-
1170	Net of notes receivable and accounts receivable (Notes VI (V) (XXI) & VIII)	2,596,077	21	1,840,247	23
1180	Trade receivable - related parties (Notes VI (V), (XXI) & VII)	167,795	2	144,234	2
1200	Other receivables (Notes VI (V) & VII)	30,806	-	13,411	-
130X	Inventories (Notes VI (VI))	3,583,295	29	1,528,105	19
1410	Prepayments	133,011	1	60,497	1
1460	Non-current assets held for sale (Notes VI (VII)(IX)(X))	312,601	3	-	-
1470	Other current assets	16,227	-	8,045	-
	<b>Total current assets</b>	<b>8,391,838</b>	<b>68</b>	<b>5,546,713</b>	<b>69</b>
<b>Non-current assets:</b>					
1517	Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	42,547	-	30,807	-
1600	Property, plant and equipment (Notes VI (IX) & VII)	2,466,382	20	1,911,589	24
1755	Right-of-use assets (Notes VI (X) & VII)	267,778	2	144,577	2
1780	Intangible assets (Notes VI (VIII) (XI) & VII)	974,453	8	308,790	3
1840	Deferred tax assets (Notes VI (XVII))	78,856	1	87,688	1
1990	Other non-current assets (Notes VI (XVI))	90,342	1	53,840	1
	<b>Total non-current assets</b>	<b>3,920,358</b>	<b>32</b>	<b>2,537,291</b>	<b>31</b>
	<b>Total assets</b>	<b>\$ 12,312,196</b>	<b>100</b>	<b>8,084,004</b>	<b>100</b>

**(Please refer to notes to consolidated financial statements)**

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc. and its subsidiaries**  
**Consolidated Balance Sheets (Continued from the previous page)**  
**December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

		<b>2021.12.31</b>		<b>2020.12.31</b>		
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
2100	Short-term borrowings (Notes VI (XII) & VIII)	\$ 1,311,304	11	823,701	10	
2120	Financial liabilities at fair value through profit or loss-current (Notes VI (II))	821	-	9,768	-	
2130	Contract liabilities - current (Note VI (XXI))	181,755	1	96,698	1	
2170	Notes and trade payables	2,191,477	18	1,083,474	13	
2180	Trade payables to related parties (Note VII)	63,053	1	104,880	1	
2200	Other payables (Note VI (XXII) & VII)	548,898	4	404,349	5	
2230	Current income tax liabilities	86,768	1	122,492	2	
2250	Provisions - current (Note VI (XV))	46,247	-	56,827	1	
2280	Lease liabilities - current (Note VI (XIV) & VII)	73,484	1	52,120	1	
2322	Long-term borrowings - current portion (Notes VI (XIII) & VIII)	20,000	-	-	-	
2399	Other current liabilities	17,092	-	17,614	-	
	<b>Total current liabilities</b>	<b>4,540,899</b>	<b>37</b>	<b>2,771,923</b>	<b>34</b>	
<b>Non-current liabilities:</b>						
2540	Long-term borrowings (Notes VI (XIII) & VIII)	1,730,000	14	-	-	
2570	Deferred tax liabilities (Notes VI (XVII))	315,669	3	174,584	2	
2580	Contract liabilities - non-current (Note VI (XIV) & VII)	181,231	2	63,896	1	
2640	Net defined benefit liabilities - non-current (Note VI (XVI))	40,584	-	39,962	1	
	<b>Total non-current liabilities</b>	<b>2,267,484</b>	<b>19</b>	<b>278,442</b>	<b>4</b>	
	<b>Total liabilities</b>	<b>6,808,383</b>	<b>56</b>	<b>3,050,365</b>	<b>38</b>	
<b>Equity attributable to the owners of the parent company</b>						
<b>(Notes VI (III) (VIII) (XVII) &amp; (XVIII))</b>						
3110	Share capital - ordinary shares	1,144,889	9	1,146,889	14	
3200	Capital surplus	655,744	5	679,735	9	
3300	Retained earnings	1,371,470	11	1,235,993	15	
3400	Other equity	(114,824)	(1)	(74,607)	(1)	
3500	Treasury shares	-	-	(12,907)	-	
	<b>Total equity attributable to owners of parent company</b>	<b>3,057,279</b>	<b>24</b>	<b>2,975,103</b>	<b>37</b>	
36XX	<b>Non-controlling interests (Note VI (VIII) (XVIII))</b>	<b>2,446,534</b>	<b>20</b>	<b>2,058,536</b>	<b>25</b>	
	<b>Total equity</b>	<b>5,503,813</b>	<b>44</b>	<b>5,033,639</b>	<b>62</b>	
	<b>Total liabilities and equity</b>	<b>\$ 12,312,196</b>	<b>100</b>	<b>8,084,004</b>	<b>100</b>	

(Please refer to notes to consolidated financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc. and its subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**January 1 to December 31, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars

		<b>2021</b>		<b>2020</b>	
		<b>AMOUNT</b>	<b>%</b>	<b>AMOUNT</b>	<b>%</b>
4000	<b>Net operating revenue (Notes VI (VIII) (XXI), VII &amp; XIV)</b>	\$ 13,211,276	100	8,349,522	100
5000	<b>Operating costs (Note VI (VI) (IX) (X) (XI) (XV) (XVI) (XXII), VII &amp; XII)</b>	(10,690,279)	(81)	(6,240,423)	(75)
	<b>Gross Profit</b>	<u>2,520,997</u>	<u>19</u>	<u>2,109,099</u>	<u>25</u>
	<b>Operating expenses (Note VI (V) (IX) (X) (XI) (XIV) (XVI) (XXII), VII &amp; XII):</b>				
6100	Selling and marketing expenses	(1,172,469)	(9)	(746,508)	(9)
6200	General and administrative expenses	(405,221)	(3)	(355,860)	(4)
6300	Research and development expenses	(421,608)	(3)	(405,350)	(5)
6450	Gain on reversal of expected credit loss	4,631	-	46,744	1
6000	<b>Total operating expenses</b>	<u>(1,994,667)</u>	<u>(15)</u>	<u>(1,460,974)</u>	<u>(17)</u>
	<b>Net operating income</b>	<u>526,330</u>	<u>4</u>	<u>648,125</u>	<u>8</u>
	<b>Non-operating income and expenses (Note VI (VII) (XIV) (XXIII) &amp; VII):</b>				
7100	Interest income	2,581	-	5,350	-
7010	Other income	20,261	-	19,758	-
7020	Other gain and loss	459,492	3	(44,378)	(1)
7050	Finance costs	(24,511)	-	(15,178)	-
	<b>Total non-operating income and expenses</b>	<u>457,823</u>	<u>3</u>	<u>(34,448)</u>	<u>(1)</u>
7900	<b>Profit before tax</b>	<u>984,153</u>	<u>7</u>	<u>613,677</u>	<u>7</u>
7950	<b>Loss: Income tax expense (Note VI (XVII))</b>	<u>(202,247)</u>	<u>(1)</u>	<u>(135,844)</u>	<u>(1)</u>
8200	<b>Net profit for the period</b>	<u>781,906</u>	<u>6</u>	<u>477,833</u>	<u>6</u>
	<b>Other comprehensive income (Note VI (XVIII)): Items that will not be reclassified to profit or loss</b>				
8310	Remeasurement of defined benefit plans	270	-	(5,168)	-
8311	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	11,740	-	(3,527)	-
8316	Income tax relating to items that will not be reclassified	(55)	-	1,033	-
	<b>Items that may be reclassified subsequently to profit or loss</b>	<u>11,955</u>	<u>-</u>	<u>(7,662)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translating the financial statements of foreign operations	(54,068)	-	(20,309)	(1)
8399	Income tax relating to items that may be reclassified	-	-	-	-
	<b>Other comprehensive income (loss) for the period</b>	<u>(54,068)</u>	<u>-</u>	<u>(20,309)</u>	<u>(1)</u>
8500	<b>Total comprehensive income (loss) for the period</b>	<u>(42,113)</u>	<u>-</u>	<u>(27,971)</u>	<u>(1)</u>
	<b>Net profit in current period attributable to:</b>	<u>\$ 739,793</u>	<u>6</u>	<u>449,862</u>	<u>5</u>
8610	Owners of the parent company	\$ 615,903	5	405,046	5
8620	Non-controlling interests	166,003	1	72,787	1
	<b>Total comprehensive income (loss) attributable to:</b>	<u>\$ 781,906</u>	<u>6</u>	<u>477,833</u>	<u>6</u>
8710	Owners of the parent company	\$ 575,471	5	382,109	4
8720	Non-controlling interests	164,322	1	67,753	1
	<b>Earnings per share (Unit: In New Taiwan Dollars and Note VI (XX))</b>	<u>\$ 739,793</u>	<u>6</u>	<u>449,862</u>	<u>5</u>
9750	<b>Basic earnings per share</b>	<u>\$ 5.38</u>		<u>3.54</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 5.33</u>		<u>3.51</u>	

(Please refer to notes to consolidated financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc. and its subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**January 1 to December 31, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of parent company												
							Other equity items						
	Share capital			Retained earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total		Treasury shares	Total equities attributable to owners of parent company	Non-controlling interests
	- Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	(69,158)	14,890	(54,268)	(12,907)	3,194,797	2,166,001	5,360,798
<b>Balance as of January 1, 2020</b>	\$ 1,146,889	679,644	725,424	52,616	657,399	1,435,439	(69,158)	14,890	(54,268)	(12,907)	3,194,797	2,166,001	5,360,798
Net profit for the period	-	-	-	-	405,046	405,046	-	-	-	-	405,046	72,787	477,833
Other comprehensive income (loss) for the period	-	-	-	-	(4,327)	(4,327)	(13,952)	(4,658)	(18,610)	-	(22,937)	(5,034)	(27,971)
Total comprehensive income (loss) for the period	-	-	-	-	400,719	400,719	(13,952)	(4,658)	(18,610)	-	382,109	67,753	449,862
Profit distribution:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	63,094	-	(63,094)	-	-	-	-	-	-	-	-
Appropriation of legal reserve	-	-	-	1,652	(1,652)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(572,444)	(572,444)	-	-	-	-	(572,444)	-	(572,444)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(40,814)	(40,814)
Changes in non-controlling interests	-	91	-	-	-	-	-	-	-	-	91	709	800
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(29,450)	(29,450)	-	-	-	-	(29,450)	(135,113)	(164,563)
Disposal of equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	1,729	1,729	-	(1,729)	(1,729)	-	-	-	-
<b>Balance as of December 31, 2020</b>	<b>\$ 1,146,889</b>	<b>679,735</b>	<b>788,518</b>	<b>54,268</b>	<b>393,207</b>	<b>1,235,993</b>	<b>(83,110)</b>	<b>8,503</b>	<b>(74,607)</b>	<b>(12,907)</b>	<b>2,975,103</b>	<b>2,058,536</b>	<b>5,033,639</b>
Net profit for the period	-	-	-	-	615,903	615,903	-	-	-	-	615,903	166,003	781,906
Other comprehensive income (loss) for the period	-	-	-	-	(215)	(215)	(51,761)	11,544	(40,217)	-	(40,432)	(1,681)	(42,113)
Total comprehensive income (loss) for the period	-	-	-	-	615,688	615,688	(51,761)	11,544	(40,217)	-	575,471	164,322	739,793
Profit distribution:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	37,246	-	(37,246)	-	-	-	-	-	-	-	-
Appropriation of legal reserve	-	-	-	20,339	(20,339)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(320,569)	(320,569)	-	-	-	-	(320,569)	-	(320,569)
Cash distributed from capital	-	(22,898)	-	-	-	-	-	-	-	-	(22,898)	-	(22,898)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(52,225)	(52,225)
Cancellation of treasury shares	(2,000)	(1,093)	-	-	(9,814)	(9,814)	-	-	-	12,907	-	-	-
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(149,828)	(149,828)	-	-	-	-	(149,828)	(365,532)	(515,360)
Acquisition of subsidiaries	-	-	-	-	657,399	-	-	-	-	-	-	641,433	641,433
<b>Balance as of December 31, 2021</b>	<b>\$ 1,144,889</b>	<b>655,744</b>	<b>825,764</b>	<b>74,607</b>	<b>471,099</b>	<b>1,371,470</b>	<b>(134,871)</b>	<b>20,047</b>	<b>(114,824)</b>	<b>-</b>	<b>3,057,279</b>	<b>2,446,534</b>	<b>5,503,813</b>

(Please refer to notes to consolidated financial statements)

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

Chairman : Chi-Hung Chen

**DFI Inc. and its subsidiaries**  
**Consolidated Statements of Cash Flows**  
**January 1 to December 31, 2021 and 2020**

	Unit: In Thousands of New Taiwan Dollars	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net profit before tax for the period	\$ 984,153	613,677
<b>Adjustment item:</b>		
Adjustments for		
Depreciation expenses	176,957	148,587
Amortization expenses	67,378	28,732
Gain on reversal of expected credit loss	(4,631)	(46,744)
Evaluation losses of financial assets measured at fair value through gains and losses	829	20,471
Interest expense	24,511	15,178
Interest income	(2,581)	(5,350)
Dividend income	(999)	(1,260)
Loss (gain) on disposal of property, factory and equipment	1,854	(296)
Gain on disposal of non-current assets held for sale	(469,360)	-
Unrealized foreign exchange gains	-	(29,953)
Gain on lease amendment	(5)	(222)
Total revenue, expense and loss items	<u>(206,047)</u>	<u>129,143</u>
Changes in assets/liabilities related to business activities:		
Net changes in assets related to operating activities:		
Increase in financial assets measured at fair value through profit or loss	(2,117)	(13,452)
Increase in notes receivable and accounts receivable	(559,311)	(67,859)
Decrease (increase) in accounts receivable - related parties	(23,561)	129,678
Decrease (increase) in other receivables	(17,396)	17,666
Decrease (increase) in inventories	(1,251,608)	233,994
Decrease (increase) in prepayments	(77,855)	9,146
Decrease (increase) in other current assets	1,349	(267)
Total net changes in assets related to operating activities	<u>(1,930,499)</u>	<u>308,906</u>
Net change in liabilities related to operating activities:		
Decrease in financial liabilities measured at fair value compulsorily through profit or loss	(8,947)	-
Increase in contractual liabilities	85,057	3,536
Increase (decrease) in notes payable and accounts payable	323,659	(301,430)
Decrease in accounts payable - related parties	(41,827)	(101,442)
Decrease in other payables	(26,003)	(30,689)
Decrease(increase) in liability reserve	(10,580)	842
Increase (decrease) in other current liabilities	(833)	5,158
Decrease in net defined benefit liabilities	(517)	(2,322)
Total net changes in liabilities related to business activities	<u>320,009</u>	<u>(426,347)</u>
Total net changes in assets and liabilities related to operating activities	<u>(1,610,490)</u>	<u>(117,441)</u>
Total adjustment items	<u>(1,816,537)</u>	<u>11,702</u>
Cash (used in) generated from operations	(832,384)	625,379
Interest received	2,582	5,350
Interest paid	(24,250)	(14,870)
Income tax paid	(199,263)	(125,234)
<b>Net cash (used in) generated from operating activities</b>	<b><u>(1,053,315)</u></b>	<b><u>490,625</u></b>

(Continued on the next page)

**DFI Inc. and its subsidiaries**  
**Consolidated Statements of Cash Flows (Continued from the previous page)**  
**January 1 to December 31, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars  
 2021                                    2020

**Cash flows from investing activities:**

Proceeds from sale of financial assets at fair value through other comprehensive income	-	26,410
Purchase of financial assets at amortized cost	-	(2,707)
Proceeds from sale of financial assets at amortized cost	-	47,532
Proceeds from sale of financial assets at fair value through profit or loss	981	5,699
Acquisition of subsidiaries (less cash obtained)	(41,201)	-
Proceeds from disposal of non-current assets held for sale	542,245	-
Purchase of Property, plant and equipment	(993,714)	(33,063)
Proceeds from disposal of property, plant and equipment	1,677	782
Decrease in refundable deposits	1,056	1,635
Purchase of intangible assets	(15,396)	(13,177)
Increase in other non-current assets	(31,575)	(4,455)
Dividends received	999	1,260
<b>Net cash (used in) generated from investing activities</b>	<b>(534,928)</b>	<b>29,916</b>

**Cash flows from financing activities:**

Proceeds from short-term borrowings	5,982,178	2,818,377
Repayments of short-term borrowings	(5,494,381)	(2,608,849)
Long-term borrowings	2,200,000	-
Repayments of long-term borrowings	(454,170)	-
Repayment of the principal portion of lease	(76,445)	(54,773)
Cash dividends distributed	(343,467)	(572,444)
Acquisition of subsidiaries	(515,360)	(164,563)
Changes in non-controlling interests	(52,225)	(40,014)
<b>Net cash (used in) generated from financing activities</b>	<b>1,246,130</b>	<b>(622,266)</b>

**Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies**

Decrease in cash and cash equivalents for the current period	(400,455)	(123,098)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,922,245</b>	<b>2,045,343</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 1,521,790</b>	<b>1,922,245</b>

(Please refer to notes to consolidated financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

## **Independent Auditors' Report**

The Board of Directions and Shareholders DFI Inc.

### **Audit Opinion**

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

In our opinion which based on our audit results and the other certified public accountants' audit reports (please refer to the paragraph of other matter), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for opinion**

We conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards of the Republic of China. Our responsibilities under those standards are further described in the Auditor's 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and other certified public accountants' audit reports, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's parent company only financial statements for the year ended December 31, 2021. 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. Key audit matters that we judge should be communicated in the audit reports are stated as follows:

#### I. Inventory valuation

For accounting policies related to inventory valuation, please refer to Note IV (VII) of the parent company only financial statements; for uncertainty of accounting estimates and assumptions of inventory valuation, please refer to Note V (I) of the parent company only financial statements; for situation of inventory price loss provision, please refer to Note VI (VI) of the parent company only financial statements.

Key audit matters are stated as follows:

Inventories are subsequently measured by the lower of cost and net realizable value Due to the rapid development of technology, the original material in stock may no longer meet the market demand, or the sales price may fall due to competition, resulting in the cost of inventory may exceed its net realizable value; the assessment of net realizable value involves the subjective judgment of the management, and, therefore, the inventory evaluation is one of the material evaluation matters for us to perform the audit of the parent company only financial statements of the Company.

The audit procedures to process for the above:

Our main audit procedures for the above-mentioned key audit matters include reviewing the inventory aging reports provided by the Company and analyzing situation in inventory age changes; checking the correctness of the inventory aging reports by sampling; evaluating the inventory valuation and confirming that it has been processed in accordance with the established accounting policies of the Company; assessing the reasonableness of the impairment losses on inventories which was set aside by the management previously.

## II. Investments in subsidiaries

For accounting policies related to investments in subsidiaries and business combinations, please refer to Note IV (IX) and (XVIII) of the parent company only financial statements; for description of new significant accounts related to acquisition of subsidiaries, please refer to Note VI (VIII) of the parent company only financial statements.

Key audit matters are stated as follows:

For the year ended December 31, 2021, the Company acquired 35.09% of Brainstorm Corporation's ordinary shares and special shares, and according to the investment agreement between both parties and the Articles of Association of Brainstorm Corporation, the Company has acquired 55.29% of the voting rights and more than half of the seats at the Board of Directors, and, therefore, it has taken control of this company. Due to the accounting treatment of business combination, the management needs to determine the fair value of identifiable acquired assets and liabilities assumed; the process involves many assumptions and estimates with complexity, so the addition of investments in subsidiaries for this period is one of the material evaluation matters for us to perform the parent company only financial statements of the Company.

The audit procedures to process for the above:

Our main audit procedures for the above-mentioned key audit matters include obtaining the fair value assessment and the purchase price allocation of intangible assets reports entrusted by the management to external experts, and assessing the assets and liabilities identified by management at the acquisition date and the reasonableness of their evaluations; appointing our experts of evaluation to assist in assessing the reasonableness of the evaluation methods and material assumptions used in the evaluation; we also assess the correctness of the accounting of the Company and whether the relevant information about the acquisition has been properly disclosed.

## III. Impairment Assessment of Goodwill Arising from Investments in Subsidiaries

For accounting policies related to impairment of non-financial assets, please refer to Note IV (XIII) of the parent company only financial statements; for description of the uncertainty of accounting estimates and assumptions of impairment assessment of goodwill, please refer to Note V (III) of the parent company only financial statements; for description of impairment test of goodwill, please refer to Note VI (VIII) of the parent company only financial statements.

Key audit matters are stated as follows:

The Company's goodwill arising from acquisition of subsidiaries was included in the book value of the investment accounted for using the equity method in the parent company only financial statements, and the goodwill should be tested for impairment annually, or whenever there is an indication of impairment. Due to assessing the recoverable amount of the cash-generating unit to which goodwill belongs involves a number of management assumptions and estimates, the goodwill impairment assessment is one of the important assessment matters for us to perform the audit of the parent company only financial report of the Company.

The audit procedures to process for the above:

Our main audit procedures for the above key audit matters include obtaining a goodwill impairment assessment test form self-assessed by the management; evaluating the basis of estimates and key assumptions used by the management to measure the recoverable amount, including reasonableness of discount rates, expected revenue growth rates, and future cash flow forecast, etc.; processing sensitivity analysis for key assumptions, and checking whether the Company have properly disclosed relevant information on goodwill impairment assessment.

## **Other Matters**

The financial statements of partial investment accounted for using the equity method listed in the Company's parent company only financial statements were not audited by us but by other certified public accountants. Therefore, our opinions expressed in the parent company only financial statements regarding the amounts of that investee company are according to other certified public accountants' audit reports. The recognized amount of investment accounted for using the equity method of that investee company were \$363,409 thousand in New Taiwan Dollars (same as below) as of December 31, 2021, accounting for 5.60% of the total assets, and the share of profit or loss of the subsidiary accounted for using the equity method was \$4,624 thousand for the year ended December 31, 2021, accounting for 0.66% of the net income before tax.

The financial statements of the Company for the year ended December 31, 2020, were audited by other accountants, which issued an audit report with unqualified opinion plus other matter paragraph on March 22, 2021.

## **Responsibility of the Management and the Governance Units 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 statement 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 Audit Committee) are responsible for overseeing DFI Inc.'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 consolidated financial statements. If the individual amounts or sums that the material misstatement involved may be reasonably expected to affect the financial decision making of users of the parent company only financial statements, such misstatement will be considered material.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We are 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 DFI Inc.'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 DFI Inc.'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 DFI Inc. 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 related notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit proof of the financial information of the investee company accounted for using the equity method so as to express opinions on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our opinion to the Company.

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 the key audit matters of the Company's parent company only financial statements for the year ended December 31, 2021. 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.

KPMG

Certified Public Accountant:

Assurance Document Number  
Approved by Securities Regulator

(88) Taiwan-Finance-Securities-VI-  
: 18311  
Financial-Supervisory-Securities-  
Audit-1060005191

March 3, 2022

**DFI Inc.**  
**Balance Sheets**  
**December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

<b>Assets</b>	<b>2021.12.31</b>		<b>2020.12.31</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>				
1100 Cash and cash equivalents (Note VI (I))	\$ 240,866	4	255,401	5
1110 Financial assets at fair value through profit or loss - current (Notes VI (II))	27,137	-	28,221	1
1136 Financial assets at amortized cost - current (Notes VI (IV) & VIII)	1,500	-	1,500	-
1170 Net of notes receivable and accounts receivable (Notes VI (V) & (XXI))	244,269	4	276,532	6
1180 Trade receivable - related parties (Notes VI (V), (XX) & VII)	382,231	6	468,580	10
1200 Other receivables (Notes VI (V) & VII)	22,692	-	9,926	-
130X Inventories (Notes VI (VI))	1,104,949	17	446,537	10
1410 Prepayments	30,619	1	18,562	-
1470 Other current assets	591	-	436	-
<b>Total current assets</b>	<b>2,054,854</b>	<b>32</b>	<b>1,505,695</b>	<b>32</b>
<b>Non-current assets:</b>				
1517 Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	41,259	1	29,920	1
1550 Investment under equity method (Note VI (VIII))	3,124,831	48	2,196,984	46
1600 Property, plant and equipment (Notes VI (IX) & VII)	1,066,375	16	936,096	20
1755 Right-of-use assets (Notes VI (X) & VII)	123,454	2	2,287	-
1780 Intangible assets (Notes VI (VIII) (XI) & VII))	10,522	-	7,256	-
1840 Deferred tax assets (Notes VI (XVII))	39,170	1	50,433	1
1990 Other non-current assets	23,597	-	5,243	-
<b>Total non-current assets</b>	<b>4,429,208</b>	<b>68</b>	<b>3,228,219</b>	<b>68</b>
<b>Total assets</b>	<b>\$ 6,484,062</b>	<b>100</b>	<b>4,733,914</b>	<b>100</b>

(Please refer to notes to parent company only financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc.**  
**Balance Sheets (Continued from the previous page)**  
**December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

	<b>Liabilities and equity</b>	<b>2021.12.31</b>		<b>2020.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current liabilities:</b>					
2100	Short-term borrowings (Notes VI (XII))	\$ 700,000	11	660,000	14
2120	Financial liabilities at fair value through profit or loss-current (Notes VI (II))	65	-	3,825	-
2130	Contract liabilities - current (Note VI (XX))	36,729	1	5,237	-
2170	Trade payables	694,084	11	472,171	10
2180	Trade payables to related parties (Note VII)	89,898	1	143,209	3
2200	Other payables (Note VI (XXI) & VII)	269,196	4	194,696	4
2230	Current income tax liabilities	12,682	-	85,686	2
2250	Provisions - current (Note VI (XV))	46,247	1	56,827	1
2280	Lease liabilities - current (Note VI (XIV) & VII)	14,282	-	2,302	-
2399	Other current liabilities	4,490	-	3,659	-
	<b>Total current liabilities</b>	<u>1,867,673</u>	<u>29</u>	<u>1,627,612</u>	<u>34</u>
<b>Non-current liabilities:</b>					
2540	Long-term borrowings (Notes VI (XIII))	1,300,000	20	-	-
2570	Deferred tax liabilities (Notes VI (XVII))	104,503	2	91,237	2
2580	Contract liabilities - non-current (Note VI (XIV) & VII)	114,023	2	-	-
2640	Net defined benefit liabilities - non-current (Note VI (XVI))	40,584	1	39,962	1
	<b>Total non-current liabilities</b>	<u>1,559,110</u>	<u>25</u>	<u>131,199</u>	<u>3</u>
	<b>Total liabilities</b>	<u>3,426,783</u>	<u>54</u>	<u>1,758,811</u>	<u>37</u>
<b>Equity (Note VI (VIII) &amp; (XVIII)):</b>					
3110	Share capital - Ordinary shares	1,144,889	17	1,146,889	24
3200	Capital surplus	655,744	10	679,735	14
3300	Retained earnings	1,371,470	21	1,235,993	26
3400	Other equity	(114,824)	(2)	(74,607)	(1)
3500	Treasury shares	-	-	(12,907)	-
	<b>Total equity</b>	<u>3,057,279</u>	<u>46</u>	<u>2,975,103</u>	<u>63</u>
	<b>Total liabilities and equity</b>	<u><b>\$ 6,484,062</b></u>	<u><b>100</b></u>	<u><b>4,733,914</b></u>	<u><b>100</b></u>

(Please refer to notes to parent company only financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc.**  
**Statements of Comprehensive Income**  
**January 1 to December 31, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars

	2021		2020	
	AMOUNT	%	Amount	%
4000      Net operating revenue (Notes VI (XX), VII & XIV)	\$ 3,460,880	100	3,777,182	100
5000      Operating costs (Note VI (VI) (IX) (X) (XI) (XIV)(XV) (XVI) (XXI), VII & XII)	(2,798,695)	(81)	(2,837,330)	(75)
	662,185	19	939,852	25
5910      Gain on realized (unrealized) sales	18,792	1	(2,761)	-
	680,977	20	937,091	25
Operating expenses (Note VI (V) (IX) (X) (XI) (XIV) (XVI) (XXI), VII & XII):				
6100      Selling and marketing expenses	(187,585)	(5)	(175,055)	(5)
6200      General and administrative expenses	(142,804)	(4)	(111,710)	(3)
6300      Research and development expenses	(268,180)	(8)	(253,242)	(7)
6450      Gain on reversal of expected credit loss	4,483	-	(4,556)	-
6000 <b>Total operating expenses</b>	<b>(594,086)</b>	<b>(17)</b>	<b>(544,563)</b>	<b>(15)</b>
Net operating income	86,891	3	392,528	10
Non-operating income and expenses (Note VI (VII)(XIV) (XXII) & VII):				
7100      Interest income	744	-	1,915	-
7010      Other income	19,156	-	26,112	1
7020      Other gain and loss	459,837	13	(8,237)	-
7050      Finance costs	(11,499)	-	(3,652)	-
7070      Shares of profit (loss) of subsidiaries accounted for using the equity method	143,637	4	84,632	2
	611,875	17	100,770	3
7900 <b>Total non-operating income and expenses</b>	<b>698,766</b>	<b>20</b>	<b>493,298</b>	<b>13</b>
Profit before tax	(82,863)	(2)	(88,252)	(2)
7950 <b>Loss: Income tax expense (Note VI (XVII))</b>	<b>615,903</b>	<b>18</b>	<b>405,046</b>	<b>11</b>
8200 <b>Net profit for the period</b>				
Other comprehensive income (Note VI (XVII) & (XVIII)):				
8310      Items that will not be reclassified to profit or loss				
8311      Remeasurement of defined benefit plans	(839)	-	(5,658)	-
8316      Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	11,339	-	(4,955)	-
8330      Shares of other comprehensive income of subsidiaries accounted for using the equity method - items not to be reclassified to profit or loss	661	-	497	-
8349      Income tax relating to items that will not be reclassified	168	-	1,131	-
	11,329	-	(8,985)	-
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361      Exchange differences on translating the financial statements of foreign operations	(51,761)	(1)	(13,952)	(1)
8399      Income tax relating to items that may be reclassified	-	-	-	-
	(51,761)	(1)	(13,952)	(1)
	(40,432)	(1)	(22,937)	(1)
8500 <b>Other comprehensive income (loss) for the period</b>	<b>\$ 575,471</b>	<b>17</b>	<b>382,109</b>	<b>10</b>
Total comprehensive income (loss) for the period				
Earnings per share (Unit: In New Taiwan Dollars and Note VI (XIX))				
9750      Basic earnings per share	\$ 5.38		3.54	
9850      Diluted earnings per share	\$ 5.33		3.51	

(Please refer to notes to parent company only financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc.**  
**Statements of Changes in Equity**  
**January 1 to December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

	Retained earnings						Other Equity Items				<b>Treasury shares</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Capital surplus</b>	<b>Legal reserve</b>	<b>Special reserve</b>	<b>Unappropriated earnings</b>	<b>Total</b>	<b>Exchange differences on translating the financial statements of foreign operations</b>	<b>Unrealized gain (loss) on financial assets at fair value through other comprehensive income</b>	<b>Total</b>			
	<b>- Ordinary shares</b>											
<b>Balance as of January 1, 2020</b>	\$ 1,146,889	679,644	725,424	52,616	657,399	1,435,439	(69,158)	14,890	(54,268)	(12,907)	3,194,797	
Net profit for the period	-	-	-	-	405,046	405,046	-	-	-	-	405,046	
Other comprehensive income (loss) for the period	-	-	-	-	(4,327)	(4,327)	(13,952)	(4,658)	(18,610)	-	(22,937)	
Total comprehensive income (loss) for the period	-	-	-	-	400,719	400,719	(13,952)	(4,658)	(18,610)	-	382,109	
Profit distribution:												
Legal reserve	-	-	63,094	-	(63,094)	-	-	-	-	-	-	
Appropriation of legal reserve	-	-	-	1,652	(1,652)	-	-	-	-	-	-	
Cash dividends for common shares	-	-	-	-	(572,444)	(572,444)	-	-	-	-	(572,444)	
Changes in ownership of equity in subsidiaries	-	91	-	-	-	-	-	-	-	-	91	
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(29,450)	(29,450)	-	-	-	-	(29,450)	
Subsidiaries' disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	1,729	1,729	-	(1,729)	(1,729)	-	-	
<b>Balance as of December 31, 2020</b>	<b>1,146,889</b>	<b>679,735</b>	<b>788,518</b>	<b>54,268</b>	<b>393,207</b>	<b>1,235,993</b>	<b>(83,110)</b>	<b>8,503</b>	<b>(74,607)</b>	<b>(12,907)</b>	<b>2,975,103</b>	
Net profit for the period	-	-	-	-	615,903	615,903	-	-	-	-	615,903	
Other comprehensive income (loss) for the period	-	-	-	-	(215)	(215)	(51,761)	11,544	(40,217)	-	(40,432)	
Total comprehensive income (loss) for the period	-	-	-	-	615,688	615,688	(51,761)	11,544	(40,217)	-	575,471	
Profit distribution:												
Legal reserve	-	-	37,246	-	(37,246)	-	-	-	-	-	-	
Appropriation of legal reserve	-	-	-	20,339	(20,339)	-	-	-	-	-	-	
Cash dividends for common shares	-	-	-	-	(320,569)	(320,569)	-	-	-	-	(320,569)	
Cash distributed from capital reserve	-	(22,898)	-	-	-	-	-	-	-	-	(22,898)	
Cancellation of treasury shares	(2,000)	(1,093)	-	-	(9,814)	(9,814)	-	-	-	12,907	-	
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(149,828)	(149,828)	-	-	-	-	(149,828)	
<b>Balance as of December 31, 2021</b>	<b>\$ 1,144,889</b>	<b>655,744</b>	<b>825,764</b>	<b>74,607</b>	<b>471,099</b>	<b>1,371,470</b>	<b>(134,871)</b>	<b>20,047</b>	<b>(114,824)</b>	<b>-</b>	<b>3,057,279</b>	

(Please refer to notes to parent company only financial statements)

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

# DFI Inc.

## Statements of Cash Flows

**January 1 to December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
<b>Net profit before tax for the period</b>	\$ 698,766	493,298
<b>Adjustment item:</b>		
Adjustments for		
Depreciation expenses	74,567	57,995
Amortization expenses	5,089	6,450
Expected credit (gain on reversal) loss	(4,483)	4,556
Evaluation losses of financial assets measured at fair value through gains and losses	829	(17,988)
Interest expense	11,499	3,652
Interest income	(744)	(1,915)
Dividend income	(999)	(1,260)
Shares of profit of subsidiaries accounted for using the equity method	(143,637)	(84,632)
Loss on disposal of property, factory and equipment	1,652	-
Gain on disposal of non-current assets held for sale	(469,360)	-
Gain (loss) on unrealized (realized) sales	(18,792)	2,761
Unrealized foreign exchange loss	-	15,080
Gain on lease amendment	(4)	-
Total revenue, expense and loss items	<u>(544,383)</u>	<u>(15,301)</u>
Changes in assets/liabilities related to business activities:		
Net changes in assets related to operating activities:		
Decrease (increase) in financial assets measured at fair value through profit or loss	(726)	20,476
Decrease (increase) in notes receivable and accounts receivable	36,746	(29,813)
Decrease in accounts receivable - related parties	86,349	79,600
Decrease (increase) in other receivables	(12,766)	1,528
Decrease (increase) in inventories	(658,412)	114,774
Decrease (increase) in prepayments	(12,057)	8,283
Decrease (increase) in other current assets	(155)	1,618
Total net changes in assets related to operating activities	<u>(561,021)</u>	<u>196,466</u>
Net change in liabilities related to operating activities:		
Decrease in financial liabilities measured at fair value compulsorily through profit or loss	(3,760)	-
Increase in contractual liabilities	31,492	1,744
Increase (decrease) in trade payables	221,913	(145,627)
Decrease in accounts payable - related parties	(53,311)	(101,896)
Increase (decrease) in other receivables	47,976	(47,701)
Decrease(increase) in liability reserve	(10,580)	842
Increase in other current liabilities	831	1,326
Decrease in net defined benefit liabilities	(217)	(1,995)
Total net changes in liabilities related to business activities	<u>234,344</u>	<u>(293,307)</u>
Total net changes in assets and liabilities related to operating activities	<u>(326,677)</u>	<u>(96,841)</u>
Total adjustment items	<u>(871,060)</u>	<u>(112,142)</u>
<b>Cash (used in) generated from operations</b>	<u>(172,294)</u>	<u>381,156</u>
<b>Interest received</b>	<u>744</u>	<u>1,915</u>
<b>Interest paid</b>	<u>(11,238)</u>	<u>(3,489)</u>
<b>Income tax paid</b>	<u>(131,170)</u>	<u>(73,057)</u>
<b>Net cash (used in) generated from operating activities</b>	<u>(313,958)</u>	<u>306,525</u>

(Continued on the next page)

**(Please refer to notes to parent company only financial statements)**

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

**DFI Inc.**

**Statements of Cash Flows (Continued from the previous page)**

**January 1 to December 31, 2021 and 2020**

**Unit: In Thousands of New Taiwan Dollars**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at amortized cost	-	(500)
Proceeds from sale of financial assets at fair value through profit or loss	981	5,699
Acquisition of investments accounted for using the equity method	(1,016,944)	(164,563)
Proceeds from disposal of non-current assets held for sale	542,245	-
Purchase of Property, plant and equipment	(239,046)	(19,092)
Proceeds from disposal of property, plant and equipment	1,470	-
Decrease in refundable deposits	243	-
Purchase of intangible assets	(8,355)	(6,033)
Increase in other non-current assets	(18,597)	-
Dividends received	51,597	29,588
<b>Net cash used in investing activities</b>	<b>(686,406)</b>	<b>(154,901)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	4,810,000	2,320,000
Repayments of short-term borrowings	(4,770,000)	(1,960,000)
Long-term borrowings	1,750,000	-
Repayments of long-term borrowings	(450,000)	-
Repayment of the principal portion of lease	(10,704)	(2,282)
Cash dividends distributed	(343,467)	(572,444)
<b>Net cash (used in) generated from financing activities</b>	<b>985,829</b>	<b>(214,726)</b>
<b>Decrease in cash and cash equivalents for the current period</b>	<b>(14,535)</b>	<b>(63,102)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>255,401</b>	<b>318,503</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 240,866</b>	<b>255,401</b>

**(Please refer to notes to parent company only financial statements)**

Chairman : Chi-Hung Chen

President: Chia-Hung Su

Accounting Supervisor: Li-Min Huang

## **Annex II Comparison of the Company's Articles of Incorporation before and after Amendment**

<b>Articles</b>	<b>After amendment</b>	<b>Before amendment</b>	<b>Reasons for amendment</b>
Article 8	<p>Shareholders' meeting includes general shareholders' meeting and extraordinary shareholders' meeting. General shareholders' meeting is held annually and convened by the Board of Directors lawfully six months after the end of each fiscal year. Extraordinary shareholders' meeting is convened when it is necessary.</p> <p><u>The Company shall convene the shareholders' meetings by video conferencing or in other ways announced by the central competent authorities.</u></p>	<p>Shareholders' meeting includes general shareholders' meeting and extraordinary shareholders' meeting. General shareholders' meeting is held annually and convened by the Board of Directors lawfully six months after the end of each fiscal year.</p> <p>Extraordinary shareholders' meeting is convened when it is necessary.</p>	Amend based on actual needs
Article 24	<p>The Articles of Incorporation were drafted on June 11, 1981. (Omitted)</p> <p>The 37th amendment was made on August 20, 2021.</p> <p><u>The 38th amendment was made on June 17, 2022.</u></p>	<p>The Articles of Incorporation were drafted on June 11, 1981. (Omitted)</p> <p>The 37th amendment was made on August 20, 2021.</p>	The amendment date is additionally indicated.

# **Annex III Clauses of the Process for Acquiring or Disposing of Assets to Be Re-voked**

## **Procedures of DFI Inc. for Acquiring or Disposing of Assets**

### **Article 1: Purpose**

To strengthen the Company's management of its asset acquisition or disposal and implementation of information disclosure, this process is formulated in accordance with the Norm for a Public Listed Company's Acquisition or Disposal of Assets promulgated by the Financial Supervisory Commission.

### **Article 2: Scope of Application**

This process is applicable to:

- I. Investments in negotiable securities (including stocks, government debts, corporate bonds, financial bonds, negotiable securities of reward funds, depository receipts, call (put) warrants, beneficiary securities and asset-based securities).
- II. Property (including land, houses, buildings, investment property) and equipment.
- III. Membership certificates.
- IV. Patent rights, copyrights, trademark rights, concessions and other intangible assets.
- V. Right-of-use assets.
- VI. Creditors' rights of financial institutions, including receivables, discount for inward remittance, loan and dunning.
- VII. Derivative instruments.
- VIII. Assets acquired or disposed of by legal merger, division, acquisition or share transfer as transferee.
- IX. Other important assets.

### **Article 3: Definitions**

- I. Actual transaction date:

As a rule, the actual transaction date is the date of signing, payment date, closing date, transfer date, resolution date of the Board of Directors or the date on which the transaction objects and amount are fully determined, whichever is earlier. However, for investments which shall be approved by related competent authorities, the actual transaction date shall be the aforementioned date or the date on which approval is obtained from the competent authorities, whichever is earlier.

- II. Derivative commodities: Please refer to the Process for Trading Derivative Instruments (Cai-Cheng-90)

- III. Assets acquired or disposed of by legal merger, division, acquisition or transfer as transferee: Assets acquired or disposed of by merger, division or acquisition according to laws on enterprise M&A, financial holding companies or mergers of financial organizations or other laws, or other companies' shares received as transferee by issuing new shares in accordance with Clause 3, Article 156 of the Company Act (hereinafter referred to as share transfer as transferee).

- IV. Interested parties, subsidiaries: Defined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- V. Professional valuers: Property valuers or other practitioners who are engaged in property and equipment valuation according to laws.

- VI. Mainland China investments: Those made by the Investment Commission, Ministry of Economic Affairs in Mainland China or specified by the measures for approving technical

cooperation.

VII. For the valuation reports or opinions obtained by the Company or the opinions, the professional valuers and their valuation personnel, accountants, lawyers or securities underwriters issuing such reports or opinions shall comply with the following rules:

- (I) They have never been sentenced to fixed-term imprisonment of more than one year for violation of this process, Company Act, Banking Act, Insurance Act, Financial Holding Companies Act or Business Accounting Act, or fraud, dishonesty, embezzlement, forgery or business crimes. However, completed sentence, expired probation or three years of amnesty are not taken into account.
- (II) They shall not be interested parties or substantial interested parties of any parties concerned.
- (III) If the Company has to obtain valuation reports from more than two professional valuers, the valuers or valuation personnel must not be interested parties or substantial interested parties.

The aforementioned personnel shall issue valuation reports or opinions as follows:

- (I) Before accepting a case, they shall carefully evaluate their own professional capabilities, practical experience and independence.
- (II) In investigating a case, they shall appropriately plan and execute proper operation procedures to reach conclusions and issue a report or opinions. They shall publish the procedures, collected data and conclusions in working papers of the case in detail.
- (III) They shall evaluate appropriateness and rationality of the data sources, parameters and information used one by one as basis for issuing appraisal reports or written opinions.
- (IV) In their statements, they shall declare that related personnel are professional and independent, the information they use for evaluation is appropriate, and they comply with related regulations.

VIII. Total assets: 10% of the total assets shall be determined based on the total amount of assets in the latest standalone financial statements as specified by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Article 4: Related Documents**

- I. Operating Process for Investments in Financial Instruments (Cai-Cheng-86)
- II. Process for Trading Derivative Instruments (Cai-Cheng-90)
- III. Operating Process for Asset and Equipment Management (Cai-Cheng-89)

#### **Article 5: Operating Process**

##### **I. Evaluation Process**

- (I) As to method and reference basis for acquiring or disposing of negotiable securities, please refer to Point 5.4 (Investment Evaluation Process) of the Operating Process for Investments in Financial Instruments (Cai-Cheng-86).
- (II) For immovable property, equipment or their right-of-use assets, except for those traded with government authorities of Taiwan, constructed by an entrusted party on the Company's own or rented land, equipment used for business operations or their right-of-use assets, a valuation report shall be obtained from a professional valuator before the actual transaction date if the transaction amount is up to 20% of the Company's paid-in capital or exceeds NT\$300 million, and the following rules shall be observed:
  - 1. If a ceiling price, specific price or special price shall be used for reference due to a special reason, the transaction shall be first reported to the Board of Directors for approval by resolution. This shall also apply in case of any change in the transaction

conditions afterwards.

2. In case that the transaction amount exceeds NT\$1 billion, more than two professional valiators shall be engaged for valuation.
  3. Under any of the following circumstances, accountants shall be hired to handle related matters according to the Statement on Auditing Standards No.20 released by the Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as the Accounting Research and Development Foundation), and issue specific opinions regarding causes of the difference and appropriateness of the transaction price, except that all estimated asset prices exceed the transaction amount or all estimated prices for disposing of the assets are below the transaction amount:
    - (1)The difference between the price estimated by a professional valuator and the transaction amount exceeds 20%.
    - (2)The difference in more than two professional valiators' valuation results exceeds 10%.
  4. A contract shall be concluded no more than 3 months after the date on which a report is issued by a professional valuator. However, if the present value announced in that period applies and the time interval is shorter than six months, opinions shall be issued by the original professional valuator.
- (III) If the transaction amount of any intangible assets, their right-of-use assets or membership certificates acquired or disposed of by the Company is up to 20% of the Company's paid-in capital or exceeds NT\$300 million, accountants shall be engaged to issue opinions on appropriateness of the transaction price before the actual transaction date in addition to trading with government authorities of Taiwan. Accountants shall act in accordance with the Statement on Auditing Standards No.20. released by the Accounting Research and Development Foundation.
- (IV) The transaction amount under the foregoing two clauses shall be calculated according to Subclause 2, Clause 5 of this article. The past year mentioned thereunder shall one year as of the actual date of this transaction. The period for which a valuation report has been issued by professional valiators or opinions have been issued by accountants will not be considered.
- (V) For assets acquired or disposed of by the Company according to court auction procedures, supporting documents shall be issued by a court in place of the valuation report or accountants' opinions.

## II. Operating Process

### (I) Executors

For the assets acquired or disposed of by the Company, the undertakers shall present the reasons for acquisition or disposal, subject matters, counterparties, transfer prices, payment terms, prices and other reference bases to competent authorities for review and determination according to Subclause 6, Clause 7, Article 5 of this process before execution by related organizations.

### (II) Transaction Procedures

The transaction procedures for asset acquisition or disposal shall be completed in accordance with relevant provisions of the Company's internal control system.

### (III) Control procedures for subsidiaries' asset acquisition or disposal

1. Subsidiaries of the Company shall acquire or dispose of assets in accordance with this process. However, if the subsidiaries have formulated the Process for Acquiring or Disposing of Assets according to the Norm for a Public Listed Company's Acquisition or Disposal of Assets and with reference to the Company's opinions, their own process shall prevail.

2. If the subsidiaries of the Company are not publicly listed in Taiwan, the announcements and declarations on information disclosure specified under Clause 5 of this article for acquiring or disposing of assets shall be made by the Company.
3. Any reference to corporate paid-in capital or total assets in the subsidiaries' announcements and declarations shall mean the paid-in capital or total assets of the Company.

### **III. Interested Party Transactions**

- (I) If the amount of transaction between the Company and its interested party for acquiring or disposing of assets exceeds 10% of the Company's total assets, professional valuers' valuation report or accountants' opinions shall be also obtained as stipulated in Clause 1 of this article, apart from dealing with related resolution procedures and evaluating appropriateness of transaction conditions according to this process.  
The transaction amount mentioned above shall be calculated according to Subclause 2, Clause 5 of this article.
- (II) In the event that the Company acquires or disposes of property or its right-of-use assets from its interested party, or the interested party acquires or disposes of the property or any assets other than the right-of-use assets and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million, related transaction contract and payment shall not be concluded and made until the following data is submitted to the Board of Directors for approval and acknowledged by the Audit Committee, except for trading Taiwan government debts, bonds subject to call and put conditions, or subscribing for or redeeming Taiwan money market funds:
  1. Purpose, necessity and expected benefits of asset acquisition or disposal.
  2. Reason for choosing the interested party as a counterparty of the transaction.
  3. Related data for evaluating appropriateness of predetermined transaction conditions for the interested party to acquire property or the right-of-use assets as stipulated in Articles 16 and 17 of the Norm for a Public Listed Company's Acquisition or Disposal of Assets.
  4. Data about the interested party's former acquisition date and price, counterparty and its relationships with the Company and the interested party.
  5. Forecasts on cash income and expenditure in each month of the next one year calculated from the expected date of contract signing, and evaluation data on necessity of the transaction and appropriateness of the fund use.
  6. Professional valuers' valuation report or accountants' opinions issued as specified under Subclause 1, Clause 3 of this article.
  7. Constraints upon This Transaction and Other Important Agreements

The aforementioned transaction amount shall be calculated according to Subclause 2, Clause 5 of this article. The past year mentioned thereunder shall one year as of the actual date of this transaction. Those which have been approved by the Board of Directors and acknowledged by the Audit Committee as stipulated in this process shall not be re-accounted. If the following transactions occur between the subsidiaries where the Company and its parent company and/or subsidiaries jointly hold or the Company directly or indirectly holds all of the outstanding shares or the total amount of assets, the Chairman will decide to conclude the transactions first with the transaction amount not exceeding NT\$300 million before presentation at the latest shareholders' meeting for acknowledgement:

1. Acquire or dispose of equipment for business operations or their use-of-right assets.
2. Acquire or dispose of right-of-use assets of property for business operations.

In any transaction concluded between the subsidiaries where the Company's subsidiaries and its parent company jointly hold, the subsidiaries or the Company directly or indirectly holds all of the outstanding shares or the total amount of assets, the Chairman may conclude the transaction first before presentation at the latest shareholders' meeting for acknowledgement, if the amount of the equipment acquired or disposed of for business operations or their use-of-right assets or the right-of-use assets of property for business operations don't exceed NT\$ 150 million.

- (III) When the Company acquires property or its right-of-use assets from its interested party, appropriateness of the transaction cost shall be evaluated pursuant to related rules (for joint purchase or renting of land and property of the same subject matter, the transaction costs shall be evaluated in accordance with pertinent rules in respect of the land and property respectively), except that under any of the following circumstances, accountants shall be engaged to review and issue specific opinions.
  - 1. The interested party acquires the property or its right-of-use assets for inheritance or donation.
  - 2. Tracing back to the date on which the interested party concluded a contract for acquiring property or its right-of-use assets, more than have years have passed as of this transaction.
  - 3. The Company enters into a joint construction contract with its interested party or entrusts its interested party to build property on its own or rented land for acquiring the property.
  - 4. Any transaction for acquiring right-of-use assets of property for business operations occurs between the subsidiaries where the Company and its parent company and/or its subsidiaries jointly hold, or the Company directly or indirectly holds all of the outstanding shares or the total amount of assets.
- (IV) If the Company acquires property or its right-of-use assets from its interested party at transaction prices above those evaluated as specified, the following matters shall be handled:
  - 1. For difference between the transaction prices and evaluated costs of property or its right-of-use assets, special reserve shall be appropriated according to Clause 1, Article 41 of the Securities Exchange Act. In judging if a counterparty is an interested party of the Company, apart from paying attention to the legal form, the substantial relationship between the Company and the interested party shall be taken into account. The property or its right-of-use assets shall not be distributed or used for capital increase or share allotment. If any investor whose investment in the Company is evaluated by equity method is a public listed company, special reserve shall be appropriated based on corresponding shareholding ratio as specified.
  - 2. The Audit Committee shall handle related matters according to Article 218 of the Company Act. If the Audit Committee has been set up in accordance with the Company Act, the independent directors mentioned in the foregoing paragraph of this article shall be appointed as members of the Audit Committee.
  - 3. The handling situation in respect of the circumstances under the foregoing two clauses shall be presented at the shareholders' meeting. The transaction details shall be disclosed in the annual report and public specifications.
- (V) If the Company appropriates special reserve as specified above, such special reserve must not be used until the assets acquired or rented at high prices have been recognized for impairment or disposed of, or the lease contract has been terminated or the special reserve is utilized for making appropriate compensation or restoring the assets to the original conditions, or the use of reserves is not inappropriate as demonstrated by other proofs,

with the approval of the Financial Supervisory Commission.

- (VI) For the Company's acquisition of property or its use-of-right assets from an interested party, if other proofs demonstrate that the transaction is not in line with routine business practices, actions shall be taken in accordance with the foregoing two clauses.

#### **IV. Procedures for Merger, Division, Acquisition and Share Transfer as Transferee**

##### **(I) Resolution Procedures**

1. For merger, division, acquisition or share transfer as transferee, before a shareholders' meeting is convened for resolution, the Company shall entrust and engage accountants, lawyers or securities underwriters to issue opinions regarding appropriateness of exchange ratio, acquisition price, or distribution to shareholders in the form of cash or other property, which shall be presented to the Board of Directors for discussion. Nevertheless, for the Company's merger with its subsidiary where the Company directly or indirectly holds all of the outstanding shares or total amount of capital, or merger of the subsidiaries where the Company directly or indirectly holds all of the outstanding shares or total amount of capital, professionals' opinions on appropriateness mentioned above will be unnecessary.
2. The Company shall prepare public documents to be issued to shareholders with respect to important agreements and related matters on the merger, division or acquisition prior to the shareholders' meeting. It shall deliver these documents to the shareholders together with the aforementioned expert opinions and meeting notice as their reference for considering whether to agree to related merger, division or acquisition proposal. However, this clause shall not apply if other laws stipulate that no shareholders' meeting shall be held to pass resolutions about such merger, division or acquisition. If the shareholders' meeting of any company or party involved in the merger, division or acquisition cannot be convened or a resolution cannot be passed due to inadequacy of attendants or voting rights or other legal constraints, or the proposal is vetoed at the shareholders' meeting, the companies concerned shall immediately and publicly explain the reason, subsequent measures and expected date of the shareholders' meeting.
3. The companies involved in such merger, division or acquisition shall convene a Board of Directors meeting and a shareholders' meeting on the same day to pass resolutions on the merger, division or acquisition, unless otherwise stipulated by laws or a prior report has been made to the Financial Supervisory Commission for approval owing to any special reasons. The companies involved in the share transfer as transferee shall convene a Board of Directors meeting, unless otherwise stipulated by laws or prior report has been made to the Financial Supervisory Commission for approval owing to any special reasons.

##### **(II) Non-disclosure Commitments**

All persons involved in or familiar with the Company's merger, division, acquisition or share transfer proposal (as transferee) shall issue written non-disclosure commitments to undertake that they will not disclose the proposal prior to its announcement, or trade stocks and other negotiable securities with equity natures of any companies related to such proposal in their own or others' names.

##### **(III) Changes in Exchange Ratio or Acquisition Price**

For any merger, division, acquisition or share transfer as transferee with the Company's involvement, the exchange ratio or acquisition price must not be changed without permission except under the following circumstances, and corresponding changes shall be agreed in the contract about such merger, division, acquisition or share transfer.

1. Complete procedures for capital increase in cash; issue convertible corporate bonds; allot shares for free; issue corporate bonds with attached warrants, special shares with attached warrants, warrants and other negotiable securities with equity natures.
2. Commit any acts impacting financial businesses of the Company, including disposal of the Company's material assets.
3. Any major disaster or technological change or other events impacting shareholders' rights and interests, or securities prices of the Company happen.
4. Any company or party involved in the merger, division, acquisition or share transfer as transferee lawfully redeems the treasury shares.
5. The number of subjects or companies involved in the merger, division, acquisition or share transfer as transferee increases or decreases.
6. Other conditions have been agreed in the contract and publicly announced.

**(IV) Other Matters to Be Indicated in the Contract**

In the contract on merger, division, acquisition or share transfer as transferee where the Company is involved, the rights and obligations of the companies concerned shall be clarified. In addition, the following information shall be indicated in the contract.

1. Actions against breach
2. Principles for disposing of negotiable securities with equity natures issued by the companies which have been dissolved for merger or divided or redeeming treasury stocks.
3. Number of treasury stocks to be lawfully redeemed by the companies concerned after the base date of calculating the exchange ratio and corresponding redemption principles.
4. Response to decrease/increase in the number of subjects or companies concerned.
5. Execution progress of the expected plan and expected completion date.
6. Expected date and related procedures of a shareholders' meeting which shall be convened as stipulated by laws and regulations when a plan is not fulfilled as scheduled.

**(V) Changes in Subjects**

If any company or party involved in the merger, division, acquisition or share transfer as acquiree intends to further conclude related transactions with any other companies following information disclosure, all other companies concerned shall repeat the procedures or legal acts which have been completed in the original merger, division, acquisition or share transfer, except that the number of companies concerned decreases, the shareholders' meeting has approved the change by resolution and authorized the Board of Directors to make the change, and the companies needn't convene a Board of Directors meeting to further pass a resolution.

**(VI) Actions Taken for Participants Which Are Not Public Listed Companies**

If any company involved in the merger, division, acquisition or share transfer as transferee is not a public listed company, the Company shall enter into an agreement with this company. In this case, actions shall be taken in accordance with Subclauses 1, 2 and 5, Clause 4 of this article.

**(VII) Written Records**

When involved in merger, division, acquisition or share transfer as transferee, the Company shall completely document the following information, which shall be kept for five years for further check:

1. Basic personnel information: Including all persons concerned in the merger, division, acquisition or share transfer plan (as transferee) or plan execution prior to information disclosure, their title, name, and identity number (passport number if the participants are foreigners).

2. Date of important events: Including date on which a letter of intent or memorandum is signed, financial or legal counsels are commissioned, a contract is concluded and a Board of Directors meeting is convened, etc.
3. Important documents and journals: Including merger, division, acquisition or share transfer plan, related letter of intent or memorandum, important contracts and meeting minutes of the Board of Directors, etc.

## **V. Information Disclosure**

### **(I) Items to be announced and declared:**

1. The Company acquires or disposes of property or its right-of-use assets from an interested party or acquires or disposes of assets other than property or its right-of-use assets with an interested party, and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million. However, this clause shall not apply to trading of Taiwan government debts, or bonds subject to call and put conditions, subscription for or redemption of Taiwan money market funds.
2. Merger, division, acquisition or share transfer as transferee.
3. Any loss suffered in trading derivative instruments goes beyond the upper limit of loss under all or some contracts stipulated by related processes.
4. The Company acquires or disposes of equipment for business operations or their right-of-use assets, the counterparty is not an interested party, and the transaction amount complies with any of the following requirements:
  - (1) The transaction amount of a public listed company with paid-in capital below NT\$10 billion exceeds NT\$500 million.
  - (2) The transaction amount of a public listed company with paid-in capital up to NT\$10 billion exceeds NT\$1 billion.
5. The Company acquires property by entrusted construction on its own or rented land, joint construction for building sharing, joint construction for profit sharing, and joint construction for respective sales, the counterparty is not an interested party, and the Company is expected to invest more than NT\$500 million in the transaction.
6. Asset transactions except for those mentioned in the foregoing five clauses are concluded, or financial institutions dispose of creditors' rights or embark on investments in Mainland China, and the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million. However, this shall not apply to the following circumstances:
  - (1) Trading of Taiwan government debts.
  - (2) Trading of negotiable securities in stock exchanges or securities dealers' places of business by professional investors.
  - (3) Trading of bonds subject to call and put conditions, subscription for or redemption of Taiwan money market funds.

### **(II) Announcement and Declaration Standards**

The aforementioned amount shall be calculated as follows. The past year mentioned thereunder shall one year as of the actual date of this transaction. Those which have been announced as stipulated shall not be re-accounted.

1. Amount of each transaction.
2. Accumulated amount of transactions concluded with the same counterparty for acquiring or disposing of subject matters with the same natures over a year.
3. Accumulated amount of property or its right-of-use assets under a development plan acquired or disposed of (respective accumulated acquisition and disposal) over a year.
4. Accumulated amount of the same negotiable securities acquired or disposed of

(respective accumulated acquisition and disposal) over a year.

(III) Time Limits for Announcement and Declaration

For assets acquired or disposed of by the Company, if any related items have to be announced and declared and the transaction amount reaches the upper limit for announcement and declaration, related information shall be announced and declared in designated forms on the website designated by the Financial Supervisory Commission within two days after the actual transaction date.

(IV) If the Company has to make corrections in respect of any errors or omissions in its announcement of requisite items, all related items shall be announced and declared again within two days after the errors or omissions are known.

(V) For the assets acquired or disposed of by the Company, relevant contracts, journals, memorandum books, valuation reports, and accountants', lawyers' or securities underwriters' opinions shall be placed in the Company for at least five years, unless otherwise stipulated by laws.

(VI) Other Important Matters

If any of the following circumstances occurs after the Company's announcement and declaration of its transaction as stipulated, related information shall be announced and declared on the website designated by the Financial Supervisory Commission within two days after the actual transaction date.

1. Original transaction-related contracts are modified, terminated or canceled.
2. Merger, division, acquisition or share transfer as transferee is not completed as scheduled under the contract.
3. Any modification is made to the original announcement and declaration.

## VI. Revision Procedures

(I) After this process is approved by the Board of Directors, it shall be delivered to members of the Audit Committee and presented at the shareholders' meeting for approval, so are revisions. If any director disagrees to the process and record is kept or a statement is made in respect of such dissent, data about this director's dissent shall be delivered to all members of the Audit Committee.

(II) When this process is presented to the Board of Directors for discussion as stipulated above after the Company's appointment of independent directors, these independent directors' opinions shall be fully considered. The independent directors' dissent or qualified opinions shall be expressly recorded in the meeting minutes of the Board of Directors if any.

(III) The Company's formulation or revision of the process for acquiring or disposing of assets after its setup of the Audit Committee shall be approved by over half of the committee members and presented to the Board of Directors for resolution.

(IV) Otherwise, it shall be approved by more than two thirds of all directors, and the Audit Committee's resolution shall be expressly recorded in the meeting minutes of the Board of Directors.

(V) Any reference to all members of the Audit Committee and all directors shall mean those who are currently in office.

## **VII. Other Considerations**

- (I) According to this process, other matters unmentioned hereunder or those matters to which the applicability of this process is doubted shall be handled in accordance with relevant laws and regulations. If they are not specified by any laws or regulations, they shall be handled pursuant to related rules of the Company or determined by the Board of Directors through discussion.
- (II) For the Company's acquisition or disposal of assets which shall be approved by the Board of Directors as stipulated in this process or other laws, directors' dissent shall be recorded or stated in writing if any, and the Company shall submit data about the directors' dissent to the members of the Audit Committee.
- (III) When the Company presents any transaction for acquiring or disposing of assets to the Board of Directors for discussion as stipulated above after its appointment of independent directors, the independent directors' opinions shall be fully taken into account. Their dissent or unqualified opinions shall be expressly recorded in the meeting minutes of the Board of Directors if any.
- (IV) The Company's major asset transactions concluded after its setup of the Audit Committee shall be approved by more than half of the Audit Committee members and presented to the Board of Directors for resolution. Subclauses 4 and 5, Clause 6 of this article shall apply to these transactions.
- (V) The total amount of negotiable securities invested by the Company, limits upon amount of the Company's investments, and total amount of property and use-of-right property not for business operations shall be indicated in this process after they are determined by the Board of Directors with authorization.

Assets	The Company		Subsidiaries		Total amount of permissible investments	Limits upon amount of investments
	Reviewer and decider	Review and decision authorities	Reviewer and decider	Review and decision authorities		
Property and use-of-right property not for business operations	Board of Directors	Above NT\$50,000,000	Board of Directors	Above NT\$25,000,000		
	Resolved by the Chairman in advance	NT\$50,000,000 or lower	Resolved by the Chairman in advance	NT\$25,000,000 or lower	30% of net value	15% of net value
	Reported to the Board of Directors		Reported to the Board of Directors			
Equity investments	Board of Directors	Above NT\$50,000,000	Board of Directors	Above NT\$25,000,000		
	Resolved by the Chairman in advance	NT\$50,000,000 or lower	Resolved by the Chairman in advance	NT\$25,000,000 or lower	200% of net value	50% of net value
	Reported to the Board of Directors		Reported to the Board of Directors			
Long-term guaranteed bonds available	Chairman	Above NT\$20,000,000	Chairman	Above NT\$10,000,000		
	President	NT\$20,000,000 or lower	President	NT\$10,000,000 or lower	30% of net value	15% of net value
Short-term bonds and money market funds	Chairman	Above NT\$20,000,000	Chairman	Above NT\$10,000,000		
	President	NT\$20,000,000 or lower	President	NT\$10,000,000 or lower	30% of net value	15% of net value
Other negotiable securities	Chairman	Above NT\$20,000,000	Chairman	Above NT\$10,000,000		
	President	NT\$20,000,000 or lower	President	NT\$10,000,000 or lower	10% of net value	5% of net value

※ Any reference to net value means the equity attributable to owners of the parent company in the Company's balance sheets.

※ Total amount of permissible investments means actual amount of investments. The shares acquired by investees by increasing capital and allotting shares with earnings or reserve shall not be included in the total amount of permissible investments.

※ Investment in and establishment of any subsidiary where the Company directly or indirectly holds 100% shares shall not be subject to any limit on the total amount of permissible long-term equity investments.

※ Short-term bonds shall not be pledged, used as guarantee or disposed of in similar ways for higher profit and loss according to the lever principle of multiplication.

## **VIII.Punishment Rules**

In the event that the Company's managers and supervisors violate the foregoing rules or this process, they will be punished according to the Company's evaluation, reward and punishment measures.

### **Article 6:**

This process was formulated on June 19, 1995.

The 1st amendment was made on February 12, 1999.

The 2nd amendment was made on November 10, 1999.

The 3rd amendment was made on December 17, 1999.

The 4th amendment was made on March 24, 2000.

The 5th amendment was made on January 15, 2003.

The 6th amendment was made on January 15, 2006.

The 7th amendment was made on March 22, 2007.

The 8th amendment was made on February 20, 2012.

The 9th amendment was made on February 21, 2014.

The 10th amendment was made on December 28, 2017.

The 11th amendment was made on May 29, 2019.

The 12th amendment was made on June 16, 2020.

The 13th amendment was made on August 20, 2021.

# **Annex IV Clauses of the Process for Acquiring or Disposing of Assets to Be Re-formulated**

## **Process of DFI Inc. for Acquiring or Disposing of Assets**

### **Article 1: Purpose**

To clarify specific rules for the Company to acquire or dispose of assets, this process is formulated according to the Norm for a Public Listed Company's Acquisition or Disposal of Assets drafted by the Financial Supervisory Commission.

### **Article 2: Scope of Application**

- I. Investments in stocks, government debts, corporate bonds, financial bonds, negotiable securities of reward funds, depository receipts, call (put) warrants, beneficiary securities and asset-based securities.
- II. Property (including land, houses, buildings, investment property, and inventories for construction) and equipment.
- III. Membership certificates.
- IV. Patent rights, copyrights, trademark rights, concessions and other intangible assets.
- V. Right-of-use assets.
- VI. Creditors' rights of financial institutions, including receivables, discount for inward remittance, loan and dunning.
- VII. Derivative instruments.
- VIII. Assets acquired or disposed of by legal merger, division, acquisition or transfer as transferee.
- IX. Other important assets.

### **Article 3: Evaluation and Operation Procedures**

For the assets acquired or disposed of by the Company, the undertakers shall present the reasons for acquisition or disposal, subject matters, counterparties, transfer prices, payment terms, prices and other reference bases to competent authorities for review and determination according to Article 16 of this process, which shall be presented to competent authorities for review and decision, executed by related organizations.

### **Article 4: Information Disclosure**

- I. For the following assets acquired or disposed of by the Company and its subsidiaries, declaration and announcement shall be made in designated forms within two days after the actual transaction date:
  - (I) The Company acquires or disposes of property or its right-of-use assets from an interested party or acquires or disposes of assets other than property or its right-of-use assets with an interested party, and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million. However, this clause shall not apply to trading of Taiwan government debts, or bonds subject to call and put conditions, subscription for or redemption of money market funds issued by Taiwan securities investment trusts.
  - (II) Merger, division, acquisition or share transfer as transferee.
  - (III) Any loss suffered in trading derivative instruments goes beyond the upper limit of loss under all or some contracts stipulated by related processes.
  - (IV) The Company acquires or disposes of equipment for business operations or their right-of-use assets, the counterparty is not an interested party, and the transaction amount exceeds NT\$500 million.
- (V) The Company acquires property by entrusted construction on its own or rented land,

joint construction for building sharing, joint construction for profit sharing, and joint construction for respective sales, the counterparty is not an interested party, and the Company is expected to invest more than NT\$500 million in the transaction.

- (VI) The Company is engaged in asset transactions or makes investments in Mainland China except for those under the foregoing five clauses, and the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million. However, this shall not apply to the following circumstances:
1. Trading of bonds subject to call and put conditions, subscription for or redemption of money market funds issued by Taiwan securities investment trusts.
  2. Trading of Taiwan government debts or foreign government debts with a credit rating not below Taiwan sovereign rating.

- II. The aforementioned transaction amount shall be calculated as follows:

- (I) Amount of each transaction.
- (II) Accumulated amount of transactions concluded with the same counterparty for acquiring or disposing of subject matters with the same natures over a year.
- (III) Accumulated amount of property or its right-of-use assets under a development plan acquired or disposed of (respective accumulated acquisition and disposal) over a year.
- (IV) Accumulated amount of the same negotiable securities acquired or disposed of (respective accumulated acquisition and disposal) over a year.

- III. For any transaction which conforms to the standard for information disclosure under this clause and which has been announced and declared, if the original transaction contract is modified, terminated or canceled, or merger, division, acquisition or share transfer as transferee is not completed as scheduled under the contract, or the original announcement or declaration is modified, further announcement and declaration shall be made within two days after the actual transaction date.

- IV. The actual transaction date mentioned above means date of signing, payment date, closing date, transfer date, resolution date of the Board of Directors or the date on which the transaction objects and amount are fully determined, whichever is earlier. However, for investments which shall be approved by related competent authorities, the actual transaction date shall be the aforementioned date or the date on which approval is obtained from the competent authorities, whichever is earlier.

- V. If the Company has to make corrections in respect of any errors or omissions in its announcement of requisite items, all related items shall be announced and declared again within two days after the errors or omissions are known.

**Article 5: Valuation reports shall be obtained for acquiring or disposing of property or equipment or their right-of-use assets.**

- I. For property, equipment or right-of-use assets acquired or disposed of by the Company, valuation reports issued by professional valuers shall be obtained prior to the actual transaction date and the following rules shall be obeyed if the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million, except for transaction or commissioned construction on the Company's own or rented land with Taiwan government authorities, or acquisition or disposal of equipment for business operations or their right-of-use assets:
- (I) If a ceiling price, specific price or special price shall be used for reference due to a special reason, the transaction shall be first reported to the Board of Directors for approval by resolution. This shall also apply in case of any change in the transaction conditions afterwards.
  - (II) In case that the transaction amount exceeds NT\$1 billion, more than two professional valuers shall be engaged for valuation.

- (III) Under any of the following circumstances, accountants shall be hired to issue specific opinions regarding causes of the difference and appropriateness of the transaction price, except that all estimated asset prices exceed the transaction amount or all estimated prices for disposing of the assets are below the transaction amount:
1. The difference between the price estimated by a professional valuator and the transaction amount exceeds 20%.
  2. The difference in more than two professional valuers' valuation results exceeds 10%.
- II. A contract shall be concluded no more than 3 months after the date on which a report is issued by a professional valuator. However, if the present value announced in that period applies and the time interval is shorter than six months, opinions shall be issued by the original professional valuator.
- III. Professional valuers mean property valuers or other practitioners who are engaged in property and equipment valuation according to laws.

**Article 6: To acquire or dispose of negotiable securities, membership certificates, intangible assets or their right-of-use assets, accountants' opinions shall be obtained.**

- I. In acquiring or disposing of negotiable securities, the latest financial statements verified by accountants of the target company shall be obtained as references for evaluating transaction prices prior to the actual transaction date. In addition, if the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million, accounts shall be engaged to issue opinions on appropriateness of the transaction price before the actual transaction date. However, this shall not apply if the negotiable securities are openly quoted in the active markets, or their prices are otherwise specified by the Financial Supervisory Commission.
- II. In the event that the transaction amount of any intangible assets, their right-of-use assets or membership certificates acquired or disposed of by the Company exceeds 20% of the Company's paid-in capital or NT\$300 million, accountants shall be engaged to issue opinions on appropriateness of the transaction price before the actual transaction date except for trading with government authorities of Taiwan.
- III. The transaction amount mentioned under Article 5 and this article shall be calculated according to Clause 2, Article 4. The past year mentioned thereunder shall one year as of the actual date of this transaction. The period for which a valuation report has been issued by professional valuers or opinions have been issued by accountants will not be considered.

**Article 7: Exclusion of Interested Parties**

The professional valuers and their valuation personnel, accountants, lawyers or securities underwriters issuing valuation reports or opinions to the Company shall comply with the following rules:

- I. They have never been sentenced to fixed-term imprisonment of more than one year for violation of this process, Company Act, Banking Act, Insurance Act, Financial Holding Companies Act or Business Accounting Act, or fraud, dishonesty, embezzlement, forgery or business crimes. However, completed sentence, expired probation or three years of amnesty are not taken into account.
- II. They shall not be interested parties or substantial interested parties of any parties concerned.
- III. If the Company has to obtain valuation reports from more than two professional valuers, the valuers or valuation personnel must not be interested parties or substantial interested parties. In issuing valuation reports or opinions, the aforementioned personnel shall handle the following matters in accordance with self-discipline rules of their trade associations:
  - (I) Before accepting a case, they shall carefully evaluate their own professional capabilities, practical experience and independence.
  - (II) In investigating a case, they shall appropriately plan and execute proper operation

procedures to reach conclusions and issue a report or opinions. They shall publish the procedures, collected data and conclusions in working papers of the case in detail.

- (III) They shall evaluate appropriateness and rationality of the data sources, parameters and information used one by one as basis for issuing appraisal reports or written opinions.
- (IV) In their statements, they shall declare that related personnel are professional and independent, the information they use for evaluation is appropriate and correct, and they comply with related regulations.

**Article 8:** For assets acquired or disposed of by the Company according to court auction procedures, supporting documents shall be issued by a court in place of the valuation report or accountants' opinions.

#### **Article 9: Interested Party Transactions**

- I. If the amount of transaction between the Company and its interested party for acquiring or disposing of assets exceeds 10% of the Company's total assets, professional valuers' valuation report or accountants' opinions shall be also obtained as stipulated in Articles 5 to 8, apart from dealing with related resolution procedures and evaluating appropriateness of transaction conditions according to Articles 5 to 8 and this article. The transaction amount shall be calculated in accordance with Clause 3, Article 6.
- II. In the event that the Company acquires or disposes of property or its right-of-use assets from its interested party, or the interested party acquires or disposes of the property or any assets other than the right-of-use assets and the transaction amount exceeds 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million, related transaction contract and payment shall not be concluded and made until the following data is submitted to the Audit Committee and the Board of Directors for approval, except for trading Taiwan government debts, bonds subject to call and put conditions, or subscribing for or redeeming money market funds issued by Taiwan securities investment trusts. When this process is presented to the Board of Directors for discussion as stipulated above after the Company's appointment of independent directors, these independent directors' opinions shall be fully considered. The independent directors' dissent or qualified opinions shall be expressly recorded in the meeting minutes of the Board of Directors if any. The data shall be first approved by more than half of the Audit Committee members and presented to the Board of Directors for resolution if the Company has set up the Audit Committee. In this case, Clauses 4 and 5, Article 15 shall apply.
  - (I) Purpose, necessity and expected benefits of asset acquisition or disposal.
  - (II) Reason for choosing the interested party as a counterparty of the transaction.
  - (III) Related data for evaluating appropriateness of predetermined transaction conditions for the interested party to acquire property or the right-of-use assets as stipulated in Clauses 3 to 6 of this article.
  - (IV) Data about the interested party's former acquisition date and price, counterparty and its relationships with the Company and the interested party.
  - (V) Forecasts on cash income and expenditure in each month of the next one year calculated from the expected date of contract signing, and evaluation data on necessity of the transaction and appropriateness of the fund use.
  - (VI) Professional valuers' valuation report or accountants' opinions issued as specified in the foregoing provision.

##### **(VII) Constraints upon This Transaction and Other Important Agreements**

If any transaction with an amount below NT\$100 million occurs between the subsidiaries where the Company and its parent company and/or subsidiaries jointly hold or the Company directly or indirectly holds all of the outstanding shares or total amount of assets for acquiring or disposing of equipment for business operations or their right-of-use assets and right-of-use assets of property for business operations, the Chairman may approve the transaction first before

presenting at the latest Board of Directors meeting for acknowledgement.

- III. If any transaction mentioned in Clause 2 of this article is concluded by the Company or its subsidiary which is not a public listed company of Taiwan and the transaction amount exceeds 10% of the Company's total assets, the Company shall not enter into any contract or make any payment until all data listed under Clause 2 of this article are presented at the shareholders' meeting and approved. This shall not apply to any transactions concluded between the Company and its parent company or subsidiaries, or between its subsidiaries.

The transaction amount under Clause 2 and this clause of this article shall be calculated in accordance with Clause 2, Article 4. The past year mentioned thereunder shall one year as of the actual date of this transaction. Those which have been approved by the shareholders' meeting, the Audit Committee and the Board of Directors as stipulated in this process shall not be re-accounted.

- IV. When the Company acquires property or its right-of-use assets from its interested party, appropriateness of the transaction cost shall be evaluated as follows (for joint purchase or renting of land and property of the same subject matter, the transaction costs shall be evaluated in any of the following ways in respect of the land and property respectively):

- (I) The interested party's transaction price plus necessary capital interests and costs to be borne by the Buyer as stipulated by laws. The necessary capital interests shall be calculated at the weighted average interest rate of the Company's annual loans for purchasing assets, which shall not exceed the maximum loan interest rate announced by the Ministry of Finance in respect of non-financial industries.
- (II) If the interested party ever loaned from any financial institution by mortgaging the subject matter, the financial institution will evaluate total value of the subject matter for loaning, provided that the actual accumulated value of the subject matter for loaning exceeds 70% of its estimated total value for loaning and calculated from the preceding loan, more than 1 year has passed. Nevertheless, this shall not apply if the financial institution and any one counterparty of the transaction are interested parties.

- V. To acquire property or its right-of-use assets from an interested party, the costs of such property and assets shall be evaluated pursuant to Clause 4 of this article. Besides, accountants shall be engaged to review and issue specific opinions.

- VI. If property or its right-of-use assets are acquired from an interested party under any of the following circumstances, actions shall be taken in accordance with Clause 2 of this article. Under the following circumstances, Clauses 4 and 5 of these articles shall not apply:

- (I) The interested party acquires the property or its right-of-use assets for inheritance or donation.
- (II) Tracing back to the date on which the interested party concluded a contract for acquiring property or its right-of-use assets, more than five years have passed as of this transaction.
- (III) The Company enters into a joint construction contract with its interested party or entrusts its interested party to build property on its own or rented land for acquiring the property.
- (IV) Any transaction for acquiring right-of-use assets of property for business operations occurs between the subsidiaries where the Company and its parent company and/or its subsidiaries jointly hold, or the Company directly or indirectly holds all of the outstanding shares or the total amount of assets.

- VII. In case that all prices evaluated by the Company according to Clause 4 of this article are lower than the transaction prices, Clause 8 of this article shall apply. However, this shall not apply under the following circumstances when objective evidence are presented, and specific opinions are issued by professional property valuers and accountants with respect to appropriateness:

- (I) In the event that the interested party acquires a vacant lot or rents land for construction, proofs shall be presented under the following circumstances:

- 1.The vacant lot is evaluated as stipulated in this article, and the sum of housing construction cost and appropriate construction profit exceeds the actual transaction price. The appropriate construction profit mentioned above shall be calculated based on the past three years' mean gross operating profit margin of the interested party's Construction Department or the latest gross profit margin of the construction industry announced by the Ministry of Finance, whichever is lower.
- 2.In any other transaction concluded by a non-interested party in the past year on any other floor or adjacent area of the same subject matter, where the area of transacted property is appropriate, the transaction conditions are found equivalent to the interested party's upon evaluation of floor appropriateness or regional price difference based on property trading or leasing practices.

- (II) A public listed company presents proofs to demonstrate that the conditions for acquiring property or renting use-of-right assets of property from the interested party are equivalent to those of a transaction with a non-interested party concluded in the past year in an adjacent area and the area is approximate.

Any reference to adjacent areas means the two areas are on the same street or on two adjacent streets and within 500m around the traded subject matter or their announced present value is approximate. Approximate area means that the area of property traded by the non-interested party is not below 50% of the area of the traded subject matter. The past year means the year before the actual transaction date on which the property or its use-of-right assets are acquired.

VIII.For acquiring property or its use-of-right assets from an interested party, the following matters shall be handled if all prices evaluated according to this article are lower than the transaction prices:

- (I) For difference between the transaction prices and evaluated costs of property or its right-of-use assets, special reserve shall be appropriated according to Clause 1, Article 41 of the Securities Exchange Act. In judging if a counterparty is an interested party of the Company. The property or its right-of-use assets shall not be distributed or used for capital increase or share allotment. If any investor whose investment in the Company is evaluated by equity method is a public listed company, special reserve shall be appropriated based on corresponding shareholding ratio as specified under Clause 1, Article 41 of the Securities Exchange Act.
- (II) The supervisors shall act pursuant to Article 218 of the Company Act. If the Audit Committee has been set up in accordance with the Company Act, the independent directors mentioned in the foregoing paragraph of this article shall be appointed as members of the Audit Committee.
- (III) The handling situation in respect of the circumstances under Clauses 1 and 2 shall be presented at the shareholders' meeting. The transaction details shall be disclosed in the annual report and public specifications.
- (IV) If the Company appropriates special reserve according to this article, such special reserve must not be used until the assets acquired or rented at high prices have been recognized for impairment or disposed of, or the lease contract has been terminated or the special reserve is utilized for making appropriate compensation or restoring the assets to the original conditions, or the use of reserves is not inappropriate as demonstrated by other proofs, with the approval of the Financial Supervisory Commission. For the Company's acquisition of property or its use-of-right assets from an interested party, if other proofs demonstrate that the transaction is not in line with routine business practices, actions shall be taken in accordance with this article.

## **Article 10: Engagement in Transactions of Derivative Instruments**

Actions shall be taken according to the Company's Process for Engagement in Transactions of Derivative Financial Instruments

## **Article 11: Enterprise Merger, Division, Acquisition and Share Transfer as Transferee**

- I. For merger, division, acquisition or share transfer as transferee, before a shareholders' meeting is convened for resolution, the Company shall entrust and engage accountants, lawyers or securities underwriters to issue opinions regarding appropriateness of exchange ratio, acquisition price, or distribution to shareholders in the form of cash or other property, which shall be presented to the Board of Directors for discussion. Nevertheless, for the Company's merger with its subsidiary where the Company directly or indirectly holds all of the outstanding shares or total amount of capital, or merger of the subsidiaries where the Company directly or indirectly holds all of the outstanding shares or total amount of capital, professionals' opinions on appropriateness mentioned above will be unnecessary.
- II. Any public listed company involved in the merger, division or acquisition shall prepare public documents to be issued to shareholders with respect to important agreements and related matters on the merger, division or acquisition prior to the shareholders' meeting. It shall deliver these documents to the shareholders together with the expert opinions mentioned under Clause 1 of this article and meeting notice of the shareholders' meeting as their reference for considering whether to agree to related merger, division or acquisition proposal. However, this shall not apply if otherwise specified by other laws that no shareholders' meeting has to be convened to pass any resolution in respect of such merger, division or acquisition.  
If the shareholders' meeting of any company or party involved in the merger, division or acquisition cannot be convened or a resolution cannot be passed due to inadequacy of attendants or voting rights or other legal constraints, or the proposal is vetoed at the shareholders' meeting, the companies concerned shall immediately and publicly explain the reason, subsequent measures and expected date of the shareholders' meeting.
- III. The companies involved in such merger, division or acquisition shall convene a Board of Directors meeting and a shareholders' meeting on the same day to pass resolutions on the merger, division or acquisition, unless otherwise stipulated by laws or a prior report has been made to the Financial Supervisory Commission for approval owing to any special reasons.  
The companies involved in the share transfer as transferee shall convene a Board of Directors meeting, unless otherwise stipulated by laws or prior report has been made to the Financial Supervisory Commission for approval owing to any special reasons.
- IV. All persons involved in or familiar with the Company's merger, division, acquisition or share transfer proposal (as transferee) shall issue written non-disclosure commitments to undertake that they will not disclose the proposal prior to its announcement, or trade stocks and other negotiable securities with equity natures of any companies related to such proposal in their own or others' names.
- V. For any merger, division, acquisition or share transfer as transferee with the Company's involvement, the exchange ratio or acquisition price must not be changed without permission except under the following circumstances, and corresponding changes shall be agreed in the contract about such merger, division, acquisition or share transfer:
  - (I) Complete procedures for capital increase in cash; issue convertible corporate bonds; allot shares for free; issue corporate bonds with attached warrants, special shares with attached warrants, warrants and other negotiable securities with equity natures.
  - (II) Commit any acts impacting financial businesses of the Company, including disposal of the Company's material assets.

- (III) Any major disaster or technological change or other events impacting shareholders' rights and interests, or securities prices of the Company happen.
  - (IV) Any company or party involved in the merger, division, acquisition or share transfer as transferee lawfully redeems the treasury shares.
  - (V) The number of subjects or companies involved in the merger, division, acquisition or share transfer as transferee increases or decreases. Other conditions have been agreed in the contract and publicly announced.
- VI. In the contract on merger, division, acquisition or share transfer as transferee where the Company is involved, the rights and obligations of the companies concerned shall be clarified. In addition, the following information shall be indicated in the contract.
- (I) Actions against breach
  - (II) Principles for disposing of negotiable securities with equity natures issued by the companies which have been dissolved for merger or divided or redeeming treasury stocks.
  - (III) Number of treasury stocks to be lawfully redeemed by the companies concerned after the base date of calculating the exchange ratio and corresponding redemption principles.
  - (IV) Response to decrease/increase in the number of subjects or companies concerned.
  - (V) Execution progress of the expected plan and expected completion date.
  - (VI) Expected date and related procedures of a shareholders' meeting which shall be convened as stipulated by laws and regulations when a plan is not fulfilled as scheduled.
- VII. If any company or party involved in the merger, division, acquisition or share transfer as acquiree intends to further conclude related transactions with any other companies following information disclosure, all other companies concerned shall repeat the procedures or legal acts which have been completed in the original merger, division, acquisition or share transfer, except that the number of companies concerned decreases, the shareholders' meeting has approved the change by resolution and authorized the Board of Directors to make the change, and the companies needn't convene a Board of Directors meeting to further pass a resolution.
- VIII. Any listed companies involved in merger, division or acquisition or those companies of which the stocks are traded in securities dealers' places of business shall document the following data into complete written records, which shall be kept for five years for further check:
- (I) Basic personnel information: Including all persons concerned in the merger, division, acquisition plan or plan execution prior to information disclosure, their title, name, and identity number (passport number if the participants are foreigners).
  - (II) Date of important events: Including date on which a letter of intent or memorandum is signed, financial or legal counsels are commissioned, a contract is concluded, and a Board of Directors meeting is convened, etc.
  - (III) Important documents and journals: Including merger, division or acquisition plan, related letter of intent or memorandum, important contracts and meeting minutes of the Board of Directors, etc.
- IX. The listed companies which acquire or receive shares as transferee or those companies of which the stocks are traded in the securities dealers' places of business shall declare the data mentioned under the foregoing Clauses 1 and 2 in designated formats to the Financial Supervisory Commission for further check in the internet information system within two days after the transaction is approved by the Board of Directors by resolution.
- X. If any companies involved in the merger, division, acquisition or share transfer as acquiree are listed or their stocks are traded in securities dealers' places of businesses, agreements shall be concluded with these companies. In this case, actions shall be taken according to Clauses 8 and 9.
- XI. In the event that any companies involved in the merger, division, acquisition or share transfer as acquiree are public listed companies, agreements shall be concluded with these companies.

Besides, actions shall be taken according to Clauses 3, 4, 7 to 10 of these articles.

### **Article 12: Punishment Rules**

Any managers or supervisors of the Company who violate this process for wilful act or gross negligence shall be punished according to the Company's rules on human resource administration.

### **Article 13: Control procedures for subsidiaries' asset acquisition or disposal**

- I. For acquisition or disposal assets by the Company's subsidiaries, actions shall be taken as per this process. However, if the subsidiaries have formulated the Process for Acquiring or Disposing of Assets according to the Norm for a Public Listed Company's Acquisition or Disposal of Assets and with reference to the Company's opinions, their own process shall prevail.
- II. If the subsidiaries are not public listed companies of Taiwan, and their acquisition or disposal of assets are in line with the standard for information disclosure under Article 4 of this process, the Company will make announcements and declarations on behalf of the Company.
- III. Urge the subsidiaries to independently check if their own processes comply with related rules or whether they handle relevant matters according to the processes.

### **Article 14: Others**

- I. Any reference to share transfer as transferee in this process means issuing new shares and receiving shares from other companies according to the Company Act.
- II. The interested parties and subsidiaries mentioned in this process shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- III. The paid-in capital or total amount of assets to be announced by the subsidiaries as stipulated under Subclause 6, Clause 1, Article 4 shall mean the Company's paid-in capital or total amount of assets.
- IV. 10% of the total assets mentioned in this process shall be determined based on the total amount of assets in the latest standalone financial statements as specified by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- V. Mainland China investments mentioned in this process mean those made by the Investment Commission, Ministry of Economic Affairs in Mainland China or specified by the measures for approving technical cooperation.
- VI. Announcements and declarations mentioned in this process mean those entered in the declaration website designated by the Financial Supervisory Commission.
- VII. Other matters unmentioned in this process shall be handled in accordance with related laws and regulations as well as pertinent rules of the Company.

**Article 15:** After this process is approved by the Board of Directors, it shall be presented at the shareholders' meeting for approval, so are its amendments.

When this process is presented to the Board of Directors for discussion as stipulated above after the Company's appointment of independent directors, these independent directors' opinions shall be fully considered. The independent directors' dissent or qualified opinions shall be expressly recorded in the meeting minutes of the Board of Directors if any.

The Company's formulation or revision of the process for acquiring or disposing of assets after its setup of the Audit Committee shall be approved by over half of the committee members and presented to the Board of Directors for resolution.

Otherwise, it shall be approved by more than two thirds of all directors, and the Audit Committee's resolution shall be expressly recorded in the meeting minutes of the Board of Directors.

Any reference to all members of the Audit Committee and all directors shall mean those who are currently in office.

**Article 16:** For the Company's acquisition or disposal of assets which shall be approved by the Board of Directors as stipulated in this process or other laws, directors' dissent shall be recorded or stated in writing if any, and the Company shall submit data about the directors' dissent to the members of the Audit Committee.

If the Company has set up the Audit Committee, any major asset transaction which must be approved by the Board of Directors shall be approved by more than half of all Audit Committee members and presented to the Board of Directors for resolution. In this case, Clauses 4 and 5 of Article 15 shall apply.

The total amount of negotiable securities invested by the Company, limits upon amount of the Company's investments, and total amount of property and use-of-right property not for business operations shall be indicated in this process after they are determined by the Board of Directors with authorization.

Assets	The Company		Subsidiaries		Total amount of permissible investments	Limits upon amount of investments
	Reviewer and decider	Review and decision authorities	Reviewer and decider	Review and decision authorities		
Property and use-of-right property not for business operations	Board of Directors	Above NT\$50,000,000	Board of Directors	Above NT\$25,000,000		
	Resolved by the Chairman in advance	NT\$50,000,000 or lower	Resolved by the Chairman in advance	NT\$25,000,000 or lower	30% of net value	15% of net value
	Reported to the Board of Directors		Reported to the Board of Directors			
Equity investments	Board of Directors	Above NT\$50,000,000	Board of Directors	Above NT\$25,000,000		
	Resolved by the Chairman in advance	NT\$50,000,000 or lower	Resolved by the Chairman in advance	NT\$25,000,000 or lower	200% of net value	50% of net value
	Reported to the Board of Directors		Reported to the Board of Directors			
Long-term guaranteed bonds available	Chairman	Above NT\$20,000,000	Chairman	Above NT\$10,000,000		
	President	NT\$20,000,000 or lower	President	NT\$10,000,000 or lower	30% of net value	15% of net value
Short-term bonds and money market funds	Chairman	Above NT\$20,000,000	Chairman	Above NT\$10,000,000		
	President	NT\$20,000,000 or lower	President	NT\$10,000,000 or lower	30% of net value	15% of net value
Other negotiable securities	Chairman	Above NT\$20,000,000	Chairman	Above NT\$10,000,000		
	President	NT\$20,000,000 or lower	President	NT\$10,000,000 or lower	10% of net value	5% of net value

※ Short-term bonds shall not be pledged, used as guarantee or disposed of in similar ways for higher profit and loss according to the lever principle of multiplication.

※ Investment in and establishment of any subsidiary where the Company directly or indirectly holds 100% shares shall not be subject to any limit on the total amount of permissible long-term equity investments.

※ Any reference to net value means the equity attributable to owners of the parent company in the Company's balance sheets.

**Article 17:**

This process was formulated on June 19, 1995.  
The 1st amendment was made on February 12, 1999.  
The 2nd amendment was made on November 10, 1999.  
The 3rd amendment was made on December 17, 1999.  
The 4th amendment was made on March 24, 2000.  
The 5th amendment was made on January 15, 2003.  
The 6th amendment was made on January 15, 2006.  
The 7th amendment was made on March 22, 2007.  
The 8th amendment was made on February 20, 2012.  
The 9th amendment was made on February 21, 2014.  
The 10th amendment was made on December 28, 2017.  
The 11th amendment was made on May 29, 2019.  
The 12th amendment was made on June 16, 2020.  
The 13th amendment was made on August 20, 2021.  
The 14th amendment was made on June 17, 2022.

## **Annex V Proposal for Relieving Non-competition Constraints upon Current Directors and Their Representatives**

Directors	Other Employers/Positions
Qisda Corporation  Legal Representative: Chang- Hung Li	Legal Person, Director and Representative of Brainstorm Corporation
Independent Director: Chih- Hao Chu	Chairman (Legal Person and Representative) of Fengqu Technology Co., Ltd
	Legal Person, Director and Representative of Jumeng Management Consulting Co., Ltd
	Legal Person, Director and Representative of Nanxiang Innovation Consulting Co., Ltd
	Legal Person, Director and Representative of Chuangxin Zhiji Investment and Financing Services Co., Ltd
Independent Director: Te- Chang Yeh	Supervisor of Maxkit Tech
Independent Director: Kuang- Jen Chu	President of Matsunosukepie

## **Appendix I Rules of Procedure for Shareholders' Meeting**

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- I. To formulate sound rules for governing the shareholders' meetings of the Company, improve supervisory functions and strengthen management functions, these rules are formulated according to the Codes of Practice on Listed Companies' Governance.
- II. This process shall be applicable to shareholders' meetings of the Company.
- III. Any reference to shareholders in this process mean shareholders registered in the members' register or the proxies entrusted by the shareholders to attend the shareholders' meetings for them.
- IV. Unless otherwise specified, the shareholders' meetings of the Company shall be convened by the Board of Directors.

30 days before convening of a general shareholders' meeting or 15 days prior to convening of an extraordinary shareholders' meeting, the meeting notice, written proxy, related acknowledgement, discussions, proposals for appointing or removing directors or supervisors, and supporting materials shall be prepared electronically and transmitted to M.O.P.S. 21 days before a general shareholders' meeting or 15 days before an extraordinary shareholders' meeting, the meeting handbook and supporting materials shall be prepared electronically and transmitted to M.O.P.S. 15 days before a shareholders' meeting, the meeting handbook and supporting materials shall be appropriately prepared for further check by shareholders from time to time. They shall be displayed in the Company and a professional service agency appointed by the Company. They shall be handed out on site at the shareholders' meeting.

The reason for convening the meeting shall be indicated in the meeting notice and announcement. With the consent of recipients, the notice may be issued electronically.

Appointment or removal of directors, modification of the Articles of Incorporation, capital reduction, application for ceasing public offering, competition permit for directors, conversion of earnings into capital increase, conversion of capital reserves into capital increase, corporate dissolution, merger, division or matters under Clause 1, Article 185 of the Company Act, and Clause 1, Article 26, Clause 6, Article 43 of the Securities Exchange Act, Clause 1, Article 56 and Clause 2, Article 60 of the Regulations Governing Offering and Issuance of Securities by Securities Issuers shall be listed in the notice as reasons for convening the meeting. Instead, they shall not be proposed in any extraordinary motion. The main content shall be organized at the website of a competent securities authority, or a website designated by the Company. The website address shall be indicated in the notice.

If it is pointed out that the shareholders' meeting is convened for complete reelection of directors or supervisors and the appointment date is specified, after this reelection, the appointment date shall not be altered through an extraordinary motion or other means at the same meeting.

A shareholder who holds more than 1% of the total outstanding shares shall present a proposal for the general shareholders' meeting to the Company. However, any more than one proposal submitted by a shareholder will not be accepted. Any proposal put forward by a shareholder in respect of any circumstances mentioned under Clauses 1 to 4, Article 172 of the Company Act shall not be accepted by the Board of Directors.

The Company shall announce its acceptance of shareholders' proposals, place of acceptance and acceptance period before convening the general shareholders' meeting and ceasing share transfer. The acceptance period shall not be shorter than 10 days.

A shareholder's proposal may contain no more than 300 words, or else it will not be accepted. The shareholder presenting the proposal shall attend the general shareholders' meeting in

person or by proxy and take part in discussing the proposal.

Before issuing the notice of the shareholders' meeting, the Company shall inform the shareholders of which of their proposals have been accepted and list the accepted proposals in the meeting notice as stipulated under this clause before the date of meeting notice. For the shareholders' proposals not accepted, the Board of Directors shall explain why the proposals have been rejected at the shareholders' meeting.

- V. At each shareholders' meeting, the shareholders may issue a proxy printed and issued by the Company to appoint a representative to attend the shareholders' meeting. The scope of authorization shall be indicated in the proxy.

A shareholder is only allowed to issue a proxy and appoint one representative. The proxy shall be delivered to the Company five days before the shareholders' meeting. If a proxy is repeatedly delivered, the one received first shall prevail. However, this shall not apply if it is declared that the prior proxies are revoked.

If the shareholder wishes to attend the shareholders' meeting in person or exercises his or her voting rights in writing or electronically after his or her delivery of the proxy to the Company, the shareholder shall issue a written notice to the Company to revoke the proxy two days prior to the shareholders' meeting. If the proxy is not revoked on time, it shall be deemed that the shareholder has appointed his or her representative to attend the meeting to exercise the voting rights for him or her. The shareholders' meeting shall be convened in the place where the Company is or it is convenient for shareholders to attend and suitable for holding the meeting. The meeting shall not be held earlier than 9 o'clock in the morning or later than 3 o'clock in the afternoon. In respect of meeting place and time, independent directors' opinions shall be fully considered.

- VI. If the shareholders' meeting is convened by the Board of Directors, it shall be chaired by the Chairman of the Board of Directors. In the event that the Chairman asks for leave or cannot exercise his or her powers for any reason, the Chairman shall designate one executive director to act as chairperson in place of him or her. If the Company has no executive director, the Chairman shall designate one director to act as chairperson in place of him or her. In case that the Chairman fails to designate a chairperson, a chairperson shall be elected among the executive directors or directors.

In the event that the foregoing chairperson is an executive director or a director, such director shall have served the post for more than six months, with knowledge about financial and business conditions of the Company. This shall also apply if the chairperson is the representative of a corporate director of the Company.

The shareholders' meetings convened by the Board of Directors shall be chaired by the Chairman in person. They shall be attended by a majority of directors, and at least one member representative of each functional committee. The attendance shall be recorded in the minutes of the shareholders' meetings.

The shareholders' meetings convened by any conveners other than the Board of Directors shall be chaired by such conveners. If a shareholders' meeting is convened by more than two persons, one of the conveners shall act as the chairperson.

The Company may appoint its lawyers, accountants or related personnel to attend a shareholders' meeting.

- VII. The Company shall indicate start time of shareholders' registration, place for registration and other considerations in the meeting notice.

The Company shall indicate start time of shareholders' registration, place for registration and other considerations in the meeting notice.

The shareholders or the proxies they appoint (hereinafter referred to as the shareholders) shall attend shareholders' meetings with their certificates of attendance, attendance cards or other supporting documents for attendance. The Company shall not require the shareholders to show any other supporting documents for attending the shareholders' meetings without permission. The shareholders who are solicitors in the solicitation proxy shall also bring supporting identity documents with them for identity verification.

The Company shall prepare a attendance register for the shareholders to sign in, or the shareholders attending the meeting may submit their attendance cards in place of the registration.

The Company shall deliver the meeting handbook, annual report, certificate of attendance, speech slips, votes and other meeting materials to the shareholders attending the shareholders' meeting. If directors are elected at the meeting, votes for election shall be provided as well.

For governments or legal entities which are shareholders of the Company, each of them may appoint more than 1 representatives to attend the shareholders' meeting on behalf of them. When a legal entity is entrusted to attend the shareholders' meeting, it may only appoint one representative.

VIII.Attendance of a shareholders' meeting shall be calculated based on shares. The shares held by the shareholders attending the meeting shall be calculated according to the attendance register or attendance cards submitted or the shares exercising voting rights in writing or electronically. The chairperson shall announce the meeting in session immediately when it is time to hold the meeting. The chairperson may announce adjournment of the meeting only when the shareholders present don't represent a majority of the total outstanding shares. The meeting may be adjourned for no more than twice, and for no more than 1 hour altogether. In the event that the shareholders present still don't represent over 1/3 of the total outstanding shares, the chairperson shall announce closing the meeting.

If the number of shareholders present still fails to reach the quorum after two adjournments, but these shareholders represent more than 1/3 of the total outstanding shares, a pseudo resolution may be passed according to Clause 1, Article 175 of the Company Act. Through the pseudo resolution, the shareholders will be informed of convening the shareholders' meeting again within one month.

If the shareholders present represent a majority of the total outstanding shares before the end of the meeting, the chairperson may present the pseudo resolution for voting again in accordance with Article 174 of the Company Act.

IX. For a shareholders' meeting convened by the Board of Directors, the rules of procedure shall be formulated by the Board of Directors. Related proposals (including extraordinary motions and amendments to original proposals) shall be voted on a case-by-case basis. The meeting shall be convened according to the scheduled rules of procedure, and no change shall be made without a resolution of the shareholders' meeting.

The foregoing provision may apply if the shareholders' meeting is convened by anyone else other than the Board of Directors.

Before processing of the matters (including extraordinary motions) scheduled under the two foregoing provisions, the chairperson shall not declare the meeting over without a resolution. If the chairperson declares the meeting over against the rules of procedure, other members of the Board of Directors shall immediately assist the shareholders present in electing one person to act as the chairperson with the consent of the shareholders who hold a majority of voting rights to proceed with the meeting.

The chairperson shall give opportunities for fully explaining and discussing the proposals, amendments or extraordinary motions proposed by the shareholders. When the chairperson

deems that the proposals, amendments or motions are votable, he or she shall announce putting an end to the discussion, suggest voting and arrange appropriate time for voting.

- X. Before their speaking, the shareholders present shall fill in the speech slips, where they shall gist of their speech, shareholder account number (or attendance certificate number) and account name. The chairperson shall determine the order in which the shareholders will speak. The shareholders who have submitted speech slips without speaking shall be deemed to have not made any speech. If contents of shareholders' speeches are inconsistent with those indicated on the speech slips, the former shall prevail.

After the speech of a shareholder present, the chairperson shall personally or designated related personnel to respond.

Each shareholder shall make a speech in respect of one proposal. Without the chairperson's consent, no shareholder is allowed to speak twice, and a shareholder may speak for no more than five minutes each time. The chairperson may stop a shareholder from speaking only when the shareholder speaks against any rules or beyond the topic under discussion.

During a shareholder's speech, other shareholders shall not interrupt, unless otherwise approved by the chairperson and the shareholder who is speaking. Anyone violating this rule shall be stopped by the chairperson.

When a corporate shareholder is entrusted to attend the shareholders' meeting, only one person may be recommended to speak in respect of one proposal.

- XI. Votes at a shareholders' meeting shall be calculated based on shares.

For a resolution passed at a shareholders' meeting, the shares held by shareholders who don't own any voting rights shall not be included in the total outstanding shares.

Any shareholders who are personally interested in any matters discussed at the meeting and thus cause harm to the Company's benefits shall neither get involved in voting nor exercise voting rights on behalf of other shareholders.

The foregoing shares which are banned from exercising voting rights shall not be taken into account in calculating voting rights of the shareholders present. When one person is simultaneously entrusted by more than two shareholders, the voting rights exercised by this person on behalf of the shareholders shall not exceed 3% of the total voting rights in the outstanding shares, except for trust businesses or service agencies approved by competent securities authorities. Otherwise, their voting rights will not be counted.

- XII. Each share held by a shareholder is entitled to one share, but this shall not apply to shareholders who are banned from voting or have no voting right as stipulated under Clause 2 of Article 179.

At a shareholders' meeting of the Company, the voting rights shall be exercised electronically and in writing. When the voting rights are exercised in writing or electronically, the ways for exercising the voting rights shall be clearly indicated in the meeting notice. The shareholders who exercise their voting rights in writing or electronically shall be deemed to attend the shareholders' meeting in person. Nonetheless, they shall be deemed to waive their rights if any extraordinary motion and amendment to their original proposal are proposed at the shareholders' meeting. Hence, the Company shall avoid putting forward any extraordinary motion and amendment to the original proposal.

The shareholders who exercise their voting rights in writing or electronically shall deliver their declaration of will to the Company two days before the shareholders' meeting. If their declaration of will is repeatedly delivered, the first one received shall prevail. However, this shall not apply to any declaration of will revoked.

If any shareholders wish to attend the shareholders' meeting in person after exercising their

voting rights in writing or electronically, they shall revoke their prior declaration of will for exercising voting rights in the same way as they exercise their voting rights two days before the shareholders' meeting. Otherwise, the voting rights they've exercised in writing or electronically shall prevail. In the event that any shareholders exercise their voting rights in writing or electronically and entrust representatives to attend the shareholders' meeting by proxy, the voting rights exercised by the representatives shall prevail.

Any proposal shall be accepted if approved by over a majority of voting rights held by the shareholders present, unless otherwise stipulated by the Company Act and the Articles of Incorporation of the Company. During voting, the shareholders shall vote on a case-by-case basis after the chairperson, or the person designated by the chairperson declares the total voting rights held by the shareholders present case by case. At the end of the shareholders' meeting, results on the shareholders' consent, dissent and waiver shall be entered in the M.O.P.S. on the same day.

When a proposal is amended or replaced, the chairperson shall determine the order of voting in combination with the original proposal. If a proposal has been approved, other proposals shall be deemed to have been vetoed, and in this case, further voting will be unnecessary.

The personnel overseeing and counting ballots for a proposal shall be appointed by the chairperson, but the personnel overseeing the voting shall be shareholders.

Ballot counting for a voting or election proposal at a shareholders' meeting shall be openly performed in the meeting venue on the spot. The voting results, including counted number of voting rights, shall be announced on the spot. Besides, minutes shall be kept.

XIII. When directors are elected at a shareholders' meeting, related election and appointment rules of the Company shall be followed. The election results, including list of elected directors and votes received, shall be announced on the spot.

The ballots cast for the foregoing election shall be appropriately kept for at least one year after they are sealed and signed by the vote count overseer. However, if any shareholder files any lawsuit in accordance with Article 189 of the Company Act, the ballots shall be kept until settlement of the lawsuit.

XIV. From the start time of shareholders' registration for a shareholders' meeting, the Company shall constantly keep audio and video recordings on the whole processes of registration, meeting and voting.

Such audio and video recordings shall be kept for 1 year at least. However, if any shareholder files any lawsuit in accordance with Article 189 of the Company Act, the ballots shall be kept until settlement of the lawsuit.

XV. Minutes shall be kept in respect of matters discussed and determined at a shareholders' meeting. They shall be signed or sealed by the chairperson. Within twenty days after the meeting, they shall be handed out to the shareholders. The minutes shall be prepared and handed out electronically.

For distribution of the foregoing minutes, the Company shall enter and announce the minutes in the M.O.P.S.

The minutes shall be kept based on date of meeting, meeting place, chairperson's name, resolution method, meeting procedure and voting results (including counted number of voting rights). When directors are elected, the number of votes for each candidate shall be disclosed. The minutes shall be permanently kept during existence of the Company.

XVI. The Company shall prepare a statistical form in the given format in respect of the shares solicited by solicitors and those held by proxy on the date on which the shareholders' meeting

is held. This statistical form shall be expressly disclosed in the meeting venue.

If any matters resolved at the shareholders' meeting are significant information stipulated by laws, regulations and rules of Taiwan Stock Exchange Corporation (Gre Tai Securities Market of the Republic of Taiwan), the Company shall transmit related information to M.O.P.S.

XVII. Service personnel in charge of shareholders' meeting shall wear identity certificates or arm badges.

The chairperson shall command supervisory or security personnel to assist in maintaining the meeting venue in good order. In maintaining order of the meeting venue on site, the supervisory or security personnel shall wear arm bands or identity certificates where words like "supervisory personnel" are indicated.

If the meeting venue is equipped with sound amplification equipment, the chairperson shall stop shareholders from speaking with any other equipment not prepared by the Company. Any shareholders who are not subject to the chairperson's correction, interrupt the meeting and fail to be obedient after coercion will be driven out of the meeting venue by the supervisory or security personnel as commanded by the chairperson.

XVIII. In holding a meeting, the chairperson shall declare adjournment at discretion. If anything, irresistible takes place, the chairperson may decide to have the meeting adjourned for the time being, and declare the time for continuation of the meeting dependent upon the situation. In the event that the meeting venue can no longer be used before settlement of the scheduled matters (including extraordinary motions) at the shareholders' meeting, a resolution shall be passed at the meeting to additionally find a place for proceeding with the meeting.

At the shareholders' meeting, a resolution shall be made to adjourn or continue the meeting within five days in accordance with Article 182 of the Company Act.

XIX. These rules shall be implemented after they are approved at the shareholders' meeting, so shall their amendments.

XX. This process was formulated on July 1, 1998.

The 1st amendment was made on February 10, 1999.

The 2nd amendment was made on March 9, 2004.

The 3rd amendment was made on June 21, 2012.

The 4th amendment was made on June 10, 2013.

The 5th amendment was made on June 12, 2015.

The 6th amendment was made on December 28, 2017.

The 7th amendment was made on June 16, 2020.

## **Appendix II Articles of Incorporation (before Revision)**

### **Chapter 1 General Rules**

- Article 1: The Company was organized in accordance with the Company Act. It is known as DFI Inc.
- Article 2: The Company's businesses are as follows:
- I. CC01080 Manufacturing of electronic components.
  - II. CC01110 Manufacturing of computers and their peripheral equipment.
  - III. F401010 International trade.
  - IV. F113050 Wholesale of computers and transactional machines.
  - V. ZZ99999 Businesses not banned or restricted by laws in addition to licensed businesses.
- Article 3: The Company is headquartered in New Taipei City and may set up offshore branches within the resolution of the Board of Directors.

### **Chapter 2 Shares**

- Article 4: The Company's total capital amounts to NT\$1.772 billion with NT\$200 million reserved for issuing employee stock options and with 20,000,000 shares, with a book value of NT\$10 per share and issued separately based on resolutions of the Board of Directors. If the Company lawfully repurchases its shares, the Board of Directors shall be authorized to complete such repurchase according to laws.
- Article 4-1: In the event that the Company transfers the repurchased shares to its employees at the average price, such transfer shall be presented at the latest shareholders' meeting attended by shareholders who represent a majority of the outstanding shares. It shall be approved by more than two thirds of the voting rights of the shareholders present at the meeting.
- Article 4-2: The Company's issuance of employee stock options at a price lower than the closing price at which a Japanese company's ordinary shares are issued shall be approved by more than two thirds of voting rights of the shareholders present at the shareholders' meeting attended by shareholders who represent a majority of the outstanding shares.
- Article 5 Deleted.
- Article 5-1: The treasury stocks purchased by the Company according to the Company Act may be transferred to employees of other companies under the control of or affiliated to the Company which satisfy certain conditions.  
The Company's employee stock options may be issued to employees of other companies under the control of or affiliated to the Company which satisfy certain conditions.  
When the Company issues new shares, employees purchasing the shares include employees of other companies under the control of or affiliated to the Company which satisfy certain conditions.  
The Company may issue new shares for restricting employee rights to employees of other companies under the control of or affiliated to the Company which satisfy certain conditions.
- Article 6: Stocks of the Company are registered. They shall be issued according to the Company Act and other related laws.  
No stock certificate is printed for shares issued by the Company, but the issuance shall

be filed with a securities depository.

- Article 7: The registration for any share transfer shall be ceased 60 days before the general shareholders' meeting, 30 days prior to the extraordinary shareholders' meeting or 5 days before the Company's distribution of dividends, bonuses or other benefits.

### **Chapter 3 Shareholders' Meeting**

- Article 8: Shareholders' meeting includes general shareholders' meeting and extraordinary shareholders' meeting. General shareholders' meeting is held annually and convened by the Board of Directors lawfully six months after the end of each fiscal year. Extraordinary shareholders' meeting is convened when it is necessary.
- Article 9: Any shareholders who cannot attend a shareholders' meeting for any reason shall act in accordance with the Regulations on Proxy Application for Attending a Shareholders' Meeting of a Public Listed Company promulgated by the competent authority apart from the Company Act.
- Article 10: All directors of the Company shall be elected among candidates by nomination. The directors mentioned in the Articles of Incorporation shall include independent directors.  
Each share held by a shareholder is entitled to one share, unless otherwise stipulated by laws.
- Article 11: Any resolution proposed at a shareholders' meeting shall be approved by a majority of voting rights of the shareholders present who represent a majority of the outstanding shares, unless otherwise stipulated by laws.
- Article 12: In respect of any matters discussed and resolved at a shareholders' meeting, agendas shall be prepared and distributed to shareholders. They shall be electronic and allocated by announcement.
- Article 13: The Company appoints seven to nine directors, whose term of office is 3 years. The directors shall be elected from the list of directors' candidates and may be re-elected. The total number of shares held by all directors in the Company shall occupy a proportion not below the percentage lawfully specified by the competent authority.  
The Company shall appoint at least three independent directors, who shall be elected from the list of the directors' candidates at the shareholders' meeting. Matters about independent directors' professional qualification, shareholding, part-time job constraints, independence, nomination, election methods and other related matters shall be handled according to the election measures for directors and related rules of competent securities authorities.
- Article 13-1: The Company shall set up an Audit Committee in accordance with the Securities Exchange Act, and the Audit Committee shall be made up of all independent directors. For components, powers, duties, rules of procedure and other matters of the Audit Committee, related rules of competent securities authorities shall be followed.

## **Chapter 4 Directors and Audit Committee**

- Article 14: The Board of Directors meeting shall be organized by directors. It shall be attended by more than 2/3 of directors, and a chairman shall be elected among the directors with the consent of a majority of directors present at the meeting. In addition, a person shall be elected among the directors as deputy chairman dependent upon business needs. The Chairman shall act on behalf of the Company.
- Article 15: If the Chairman asks for leave or cannot exercise his or her powers for any reason, the Chairman may appoint a proxy in accordance with Article 208 of the Company Act. In case that any directors cannot attend the Board of Directors meeting, they shall issue a proxy to entrust other directors to attend the meeting for them. Each proxy may be entrusted by one director only.  
The notice of the Board of Directors meeting shall be issued by email or fax.
- Article 16: The Board of Directors shall be authorized to determine directors' remuneration dependent upon their degree of participation in the Company's business operations and contributions, and with reference to the average level within the industry.
- Article 17: The Company shall purchase liability insurances in respect of its legal liability for compensation within its business scope during the directors' term of office.

## **Chapter 5 Managers**

- Article 18: The Company shall appoint managers, whose appointment, removal and remuneration shall comply with the Company Act.

## **Chapter 6 Accounting**

- Article 19: At the end of each accounting year of the Company, the Board of Directors shall prepare (1) business report, (2) financial statements, (3) proposals for earnings distribution or loss appropriation, which shall be submitted to the Audit Committee 30 days prior to the general shareholders' meeting. The Audit Committee shall issue a report and present it to the general shareholders' meeting for acknowledgement.
- Article 20: The Board of Directors shall hand out the financial statements and resolutions on earning distribution or loss appropriation to the shareholders by way of announcement.
- Article 21: If the Company makes profit over a year, 5% to 20% of the profit shall be appropriated as employee remuneration, which shall be distributed in the form of stocks or in cash with the resolution of the Board of Directors. Such appropriated amount may be also distributed to employees of other companies under the control of or affiliated to the Company which satisfy certain conditions. In addition, no more than 1% of the profit shall be appropriated as directors' remuneration with the approval of the Board of Directors by resolution. The proposal for paying remuneration to employees and directors shall be presented at the shareholders' meeting.

Nonetheless, in case of accumulated loss in the Company, a proportion of the profit shall be reserved for recovering the loss before an amount is appropriated at the

aforementioned ratio as remuneration to employees and directors.

Article 21-1: In the event of any earnings in the final accounts of the Company, an amount shall be first appropriated for paying taxes and recovering accumulated losses before 10% of the earnings are appropriated as legal reserve. However, the amount of earnings appropriated as legal reserve shall not exceed paid-in capital of the Company, and special reserve shall be appropriated or reversed with the remaining earnings. If there is still surplus which is equal to the accumulated undistributed earnings, the Board of Directors shall draft an earnings distribution proposal, which shall be presented at the shareholders' meeting for resolution on distribution of share dividends to the shareholders.

If cash dividends are distributed as specified by the foregoing earnings distribution proposal, the Board of Directors will be authorized to pass a resolution in respect of the distribution and report to the shareholders' meeting.

As the Company is in an industry with fierce competitions and changing environment, and in a stage of stable growth in its life cycle, general distribution amount shall be taken into account in the earnings distribution proposal drafted by the Board of Directors, and balanced dividend policies shall be adopted for earnings distribution based on conservatism principle, in order to effectively grasp the Company's future investment opportunities, working capital requirements and long-term financial plans. In case of any earnings in the final accounts of the Company and the distributable earnings of that year are up to 2% of the Company's capital, no less than 10% of the distributable earnings shall be distributed as dividends. The cash dividends distributed each year shall not be lower than 10% of the sum of the cash and stock dividends distributed in the same year.

Article 21-2: The Company shall distribute new shares or cash in the form of legal reserve or capital reserve according to Article 241 of the Company Act. If the dividends are distributed in cash, the Board of Directors shall be authorized to pass a resolution in respect of the distribution and report to the shareholders' meeting.

## **Chapter 7 Supplementary Rules**

- Article 22: The Company shall make warranties to the outside.
- Article 22-1: The Company's total amount of outbound investments shall not be subject to the limit specified under Article 13 of the Company Act.
- Article 23: All other matters unmentioned in these Articles of Incorporation shall be handled according to the Company Act.
- Article 24: The Articles of Incorporation were drafted on June 11, 1981.  
The 1st amendment was made on April 1, 1983.  
The 2nd amendment was made on June 15, 1984.  
The 3rd amendment was made on December 20, 1985.  
The 4th amendment was made on February 25, 1987.  
The 5th amendment was made on March 24, 1987.  
The 6th amendment was made on November 10, 1987.  
The 7th amendment was made on November 24, 1987.  
The 8th amendment was made on May 1, 1989.  
The 9th amendment was made on May 30, 1989.  
The 10th amendment was made on November 20, 1990.  
The 11th amendment was made on May 15, 1991.  
The 12th amendment was made on June 10, 1993.  
The 13th amendment was made on June 30, 1993.  
The 14th amendment was made on November 20, 1994.  
The 15th amendment was made on June 19, 1995.  
The 16th amendment was made on December 28, 1995.  
The 17th amendment was made on August 29, 1997.  
The 18th amendment was made on June 5, 1998.  
The 19th amendment was made on March 25, 1999.  
The 20th amendment was made on April 24, 2000.  
The 21st amendment was made on April 24, 2000.  
The 22nd amendment was made on June 18, 2001.  
The 23rd amendment was made on June 24, 2002.  
The 24th amendment was made on June 15, 2004.  
The 25th amendment was made on June 14, 2005.  
The 26th amendment was made on June 14, 2006.  
The 27th amendment was made on June 11, 2008.  
The 28th amendment was made on June 18, 2010.  
The 29th amendment was made on June 9, 2011.  
The 30th amendment was made on June 21, 2012.  
The 31st amendment was made on June 10, 2013.  
The 32nd amendment was made on June 12, 2015.  
The 33rd amendment was made on June 13, 2016.  
The 34th amendment was made on December 28, 2017.  
The 35th amendment was made on May 29, 2019.  
The 36th amendment was made on June 16, 2020.  
The 37th amendment was made on August 20, 2021.

### **Appendix III Directors' Shareholding**

The Company's paid-in capital amounts to NT\$1,144,888,570, with 114,488,857 shares, and according to Article 26 of the Securities Exchange Act, all directors shall hold 8,000,000 shares at minimum.

As of the date on which share transfer was ceased at this shareholders' meeting, all directors had actually held 51,609,986 (45.07% of the Company's total shares) as registered on the members' register of the Company. Details on some directors' shareholdings are as follows

Identity		Name	Date of ceasing share transfer: April 19, 2022	
			Number of Shares Held	Shareholding Ratio (%)
Chairman		Chi-Hung Chen (Representative of Qisda Corporation)	51,609,986	45.07
Deputy Chairman		Chang-Hung Li (Representative of Qisda Corporation)	51,609,986	45.07
Directors		Chia-Hung Su (Representative of Qisda Corporation)	51,609,986	45.07
Directors		Ming-Shan Li	0	-
Independent Director		Kuang-Jen Chou	0	-
Independent Director		Te-Chang Yeh	0	-
Independent Director		Chih-Hao Chu	0	-
Total			51,609,986	45.07